



## State of Tennessee

### Health Services and Development Agency

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda)

Phone: 615-741-2364

Fax: 615-741-9884

**Date:** December 4, 2013

**To:** HSDA Members

**From:** Melanie M. Hill, Executive Director

**Re:** CONSENT CALENDAR JUSTIFICATION  
CN1310-038 – The Jackson Clinic-MRI

As permitted by Statute and further explained by Agency Rule on the last page of this memo, I have placed this application on the consent calendar based upon my determination that the application appears to meet the established criteria for granting a certificate of need. Need, economic feasibility, and contribution to the orderly development of health care appear to have been demonstrated as detailed below. If Agency Members determine that the criteria have been met, a member may move to approve the application by adopting the criteria set forth in this justification or develop another motion for approval that addresses each of the three criteria required for approval of a certificate of need.

At the time the application entered the review cycle on November 1, 2013, it had no opposition. If opposition is filed prior to the application being heard, it will be moved to the bottom of the regular December agenda and the applicant will make a full presentation.

#### **Summary—**

The Jackson Clinic is a large multi-specialty physician practice, which provides care to over 2,000 patients daily across 10 locations in West Tennessee. The main office is located in space leased from Jackson Madison County Hospital District on Forrest Avenue in Jackson, Tennessee. The physician practice has provided both MRI and CT services from this site for the past 10 years. It is anticipated that the hospital will eventually demolish the building so the physician practice is moving to its North Campus on Walker Road, which is off Highway 45 in Jackson. It is approximately 5 miles from its current location. The practice has provided services from the North Campus for over 20 years. The practice is in network with three TennCare Managed Care Organizations

#### **Executive Director Justification -**

**Need-** The need to relocate the MRI is justified because the physician practice is relocating.

**Economic Feasibility-** The project will be funded through cash reserves of the physician practice. The MRI service has historically provided a positive cash flow and net operating income and is projected to do so at the new location.

**Contribution to the Orderly Development of Health Care-** The project does contribute to the orderly development of health care since the MRI service will continue to be utilized as part of a busy physician practice.

**Based on these reasons, I recommend that the Agency approve certificate of need application CN1310-038.**

**Statutory Citation -TCA 68-11-1608. Review of applications -- Report**

(d) The executive director may establish a date of less than sixty (60) days for reports on applications that are to be considered for a consent or emergency calendar established in accordance with agency rule. Any such rule shall provide that, in order to qualify for the consent calendar, an application must not be opposed by any person with legal standing to oppose and the application must appear to meet the established criteria for the issuance of a certificate of need. If opposition is stated in writing prior to the application being formally considered by the agency, it shall be taken off the consent calendar and placed on the next regular agenda, unless waived by the parties.

**Rules of the Health Services and Development Agency - 0720-10-.05 CONSENT CALENDAR**

- (1) Each monthly meeting's agenda will be available for both a consent calendar and a regular calendar.
- (2) In order to be placed on the consent calendar, the application must not be opposed by anyone having legal standing to oppose the application, and the executive director must determine that the application appears to meet the established criteria for granting a certificate of need. Public notice of all applications intended to be placed on the consent calendar will be given.
- (3) As to all applications which are placed on the consent calendar, the reviewing agency shall file its official report with The Agency within thirty (30) days of the beginning of the applicable review cycle.
- (4) If opposition by anyone having legal standing to oppose the application is stated in writing prior to the application being formally considered by The Agency, it will be taken off the consent calendar and placed on the next regular agenda. Any member of The Agency may state opposition to the application being heard on the consent calendar, and if reasonable grounds for such opposition are given, the application will be removed from the consent calendar and placed on the next regular agenda.
  - (a) For purposes of this rule, the "next regular agenda" means the next regular calendar to be considered at the same monthly meeting.
- (5) Any application which remains on the consent calendar will be individually considered and voted upon by The Agency.

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING  
DECEMBER 18, 2013  
APPLICATION SUMMARY**

**NAME OF PROJECT:** The Jackson Clinic

**PROJECT NUMBER:** CN1310-038

**ADDRESS:** 2589 Highway 45 Bypass  
Jackson (Madison County), Tennessee 38205

**LEGAL OWNER:** The Jackson Clinic Professional Association  
616 West Forest Avenue  
Jackson (Madison County), Tennessee 38301

**OPERATING ENTITY:** Not Applicable

**CONTACT PERSON:** John Wellborn  
(615) 665-2022

**DATE FILED:** October 15, 2013

**PROJECT COST:** \$1,978,943

**FINANCING:** Cash Reserves

**PURPOSE OF REVIEW:** Relocation of a Magnetic Resonance Imaging (MRI) System

**DESCRIPTION:**

This application is for the relocation of an MRI service only. The applicant will also be replacing the MRI unit, however that is not a reviewable event because the replacement of existing equipment that improves the quality or cost effectiveness is permitted under TCA § 68-11-1607. The applicant will also be relocating a computed tomography (CT) unit to the same location.

The Jackson Clinic is a professional private medical practice relocating its existing MRI service from 616 West Forest Avenue, Jackson (Madison County) approximately 4.5 miles to the Clinic's North Campus medical office building at 2589 Highway 45 Bypass, Jackson (Madison County). The applicant has provided MRI services at the current location for over 10 years. The applicant

The Jackson Clinic  
CN1310-038  
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will replace the current MRI unit with a FDA-approved GE 1.5T short, closed bore unit. The applicant has allotted \$950,000 for the acquisition of the MRI unit. The unit has an expected useful life of at least five years. The relocated MRI service is projected to be operational in January 2015.

### **Staff Summary**

*The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.*

The Jackson Clinic is a private, multispecialty group practice of approximately 140 physicians. Clinic physicians represent more than twenty-five specialties and sub-specialties, in addition to primary care. A list of the Jackson Clinic physicians and their specialties is included in the original application. The Jackson Clinic Medical Building, LLC will construct a new Imaging Suite of approximately 3,000 square feet on the north side of the Clinic's leased North Campus medical office building and lease it to the applicant, which currently leases 9,083 square feet in the building. The Jackson Clinic has served patients at its North Campus for more than 20 years. The applicant has stated that there is no existing space on the North Campus that could house the Imaging Suite. The Imaging Suite will house both an MRI and CT units. The Imaging Suite will contain an MRI control room, MRI exam room where the MRI unit will be located, a CT control room, a CT exam room where the CT unit will be located, and rooms for injecting radiopharmaceuticals, patient consultation, patient dressing, and toilets.

### **Need**

The Jackson Clinic indicates the MRI should be relocated for the following reasons:

- The MRI must be relocated because the Jackson Clinic is in the process of closing its Forest Avenue office and moving all of its personnel and services to other locations, including the North Campus location on Highway 45 Bypass
- The Forest Avenue property is owned by Jackson-Madison County General Hospital District and is part of the "medical center" complex surrounding the hospital building
- The Forest Avenue building has been in the process of being vacated over the past two years. The only services left to vacate the Forest Avenue building are the Clinic's oncologists and the imaging services



- Once vacated it is anticipated that the hospital will demolish the Forest Avenue building and use the property for construction/expansion
- The proposed project should have no negative impact and/or delays for patients as the new site is under control of the Jackson Clinic and the purchase agreement for the replacement MRI has been negotiated, conditional on CON approval

### **Ownership**

The MRI service is an imaging service of the Jackson Clinic. The Clinic is owned by the Jackson Clinic Professional Association, a corporation.

### **Service Area Demographics**

Jackson Clinic's declared service area includes Carroll, Chester, Crockett, Gibson, Hardeman, Henderson, Madison, and McNairy Counties.

- The total population of the service area is estimated at 291,017 residents in calendar year (CY) 2013 increasing by approximately 1.3% to 294,779 residents in CY 2017.
- The overall statewide population is projected to grow by 3.7% from 2013 to 2017.
- The latest 2013 percentage of the service area population enrolled in the TennCare program is approximately 22.2%, as compared to the statewide enrollment proportion of 18.3%.

### **Service Area Historical Utilization**

The utilization table below provides historical MRI utilization trends in the service area:

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**Service Area**  
**Historical MRI Utilization**  
**2010-2012**

County	Facility	Provider Type	Number of Units in FTE	Proc. 2010	Proc. 2011	Proc. 2012	% change 2010-2012	*Meet State Health Plan Utilization Standard in 2012?
Carroll	Bapt. Mem. Huntingdon	H	1.0	1,234	1,119	986	-20.1%	No
Carroll	McKenzie Medical Center	ODC	1.0	2,134	1,840	2,279	+6.8%	No
Carroll	McKenzie Regional Hospital	H	0.2	98	87	79	-19.4%	No
Chester	Frix Jennings Clinic	PO	0.4	451	667	637	+41.24%	No
Henderson	Henderson Co. Comm. Hospital	H	0.6	465	474	504	+8.4%	No
Madison	Jackson Clinic	PO	1.0	2,295	2,461	2,271	-1.1%	No
Madison	Jackson Madison Co. Gen. Hosp.	H	2.0	9,218	9,657	9,877	+7.2%	Yes
Madison	Regional Hospital of Jackson	H	1.0	1,523	1,805	2,203	+44.7%	No
Madison	Sports Orthopedics and Spine	ODC	1.0	2,839	4,688	6,781	+138.9%	Yes
Madison	West TN Bone and Joint Clinic	PO	1.0	3,088	3,248	2,649	-14.2%	No
Madison	West TN Imaging Center	H-ODC	3.0	6,581	6,624	7,027	+6.78%	No
Madison	West TN Neurosciences	PO	1.0	3,006	2,772	2,706	-10.0%	No
McNairy	McNairy Regional Hospital	H	0.4	594	554	642	+8.08%	No
	<b>TOTAL</b>		<b>13.6</b>	<b>33,526</b>	<b>35,996</b>	<b>38,641</b>	<b>+15.3%</b>	<b>No</b>

Source: HSDA Medical Equipment Registry

\*The optimal efficiency for a stationary MRI unit is 2,880 procedures per year. The optimal efficiency for a mobile MRI unit is 480 procedures per year for each day of operation per week

The above utilization table reflects the following:

- The overall MRI procedures per MRI unit in the service area in 2012 was 2,841 or 98.6% of optimal efficiency
- Only two of the 13 MRI providers in the service area met the MRI optimal utilization standard

- Overall MRI procedures increased 15.3% for service area providers between 2010 and 2012
- Eight of the thirteen MRI providers experienced increases in procedure volume between 2010 and 2012

### **Applicant's Historical and Projected Utilization**

#### **Jackson Clinic Historical and Projected MRI Utilization**

<b>Provider</b>	<b># of MRI's</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Year One</b>	<b>Year Two</b>
Jackson Clinic	1	2,295	2,461	2,271	2,067	2,067

*Source: HSDA Medical Equipment Registry*

- The applicant expects MRI volumes to decline and then stabilize at 2,067 MRI procedures annually
- The applicant does not expect to meet the State Health Plan's optimal utilization level of 2,880 MRI procedures in any of the next five years. The applicant cites economic conditions and the impact of the Affordable Care Act as reasons for not projecting increased utilization

### **Project Cost**

Major costs are:

- The MRI equipment, \$950,000, or 48.0% of the total cost
- Construction of the Imaging Suite, \$602,500 or 30.4% of total cost. For 3,050 square feet of new and renovated areas, the construction cost per square foot is approximately \$198.
- Building Lease Expense, \$252,000 or 12.7% of total cost
- For other details on Project Cost, see the Project Cost Chart on page 27R of the application

### **Historical Data Chart**

- The Jackson Clinic reported a net operating loss after capital expenditures of (\$151,255) in 2010, (\$1,990,295) in 2011, and (\$1,810,502) in 2012.
- The Jackson Clinic's MRI service reported net operating incomes of \$534,309 in 2010, \$535,022 in 2011, and \$503,503 in 2012.

### **Projected Data Chart**

The applicant projects \$2,305,365.00 in total gross revenue on 2,067 MRI procedures during both the first year and second year of operations

(approximately \$1,115.32 per procedure). The Projected Data Chart reflects the following:

- Net operating income less capital expenditures for the applicant will equal \$363,992 in both Years 2015 and 2016.
- Net operating revenue after bad debt, charity care, and contractual adjustments is expected to reach \$1,048,343 or approximately 45.5% of total gross revenue in Year Two.
- Charity care at approximately 1.8% of total gross revenue in Year One and Year Two equaling to \$40,503.
- Charity Care calculates to 36.3 procedures per year.

### Charges

In Year One of the proposed project, the average MRI charges are as follows:

- The proposed average gross MRI charge is \$1,115/procedure in 2016
- The average deduction is \$608/procedure, producing an average net MRI charge of \$507/procedure.

The average gross charge per procedure for MRI at the thirteen existing MRI providers in the service area is presented in the table below:

**Average MRI Charges/Procedure  
Jackson Clinic Service Area 2012**

	<b>Facility</b>	<b>Provider Type</b>	<b>Number of Units</b>	<b>Total Procedures</b>	<b>Total Gross Charges</b>	<b>Gross Charge per Procedure</b>
Carroll	Bapt. Mem.Huntingdon	H	1.0	986	\$2,322,890.00	\$2,355.87
Carroll	McKenzie Medical Center	ODC	1.0	2,279	\$3,311,455.00	\$1,453.03
Carroll	McKenzie Regional Hospital	H	0.2	79	\$430,437.53	\$5,448.58
Chester	Frix Jennings Clinic	PO	0.4	637	\$762,810.00	\$1,197.50
Henderson	Henderson Co. Comm. Hospital	H	0.6	504	\$2,277,682.00	\$4,519.21
Madison	Jackson Clinic	PO	1.0	2,271	\$2,551,851.00	\$1,123.67
Madison	Jackson Madison Co.Gen. Hosp.	H	2.0	9,877	\$20,433,744.00	\$2,068.82
Madison	Regional Hospital of Jackson	H	1.0	2,203	\$8,710,441.00	\$3,953.90
Madison	Sports Orthopedics and Spine	ODC	1.0	6,781	\$7,366,782.00	\$1,086.39
Madison	West TN Bone and Joint Clinic	PO	1.0	2,649	\$3,405,541.00	\$1,285.59
Madison	West TN Imaging Center	H-ODC	3.0	7,027	\$16,456,838.00	\$2,341.94
Madison	West TN Neurosciences	PO	1.0	2,706	\$5,593,318.00	\$2,067.01
McNairy	McNairy Regional Hospital	H	0.4	642	\$3,453,706.00	\$5,379.60
	<b>TOTAL</b>		<b>13.6</b>	<b>38,641</b>	<b>\$77,077,495.53</b>	<b>\$1,994.71</b>

Source: HSDA Equipment Registry, CN1310-038

**State of Tennessee  
Gross Charges per Procedure/Treatment  
By Quartiles  
YEAR = 2012**

<b>Equipment Type</b>	<b>1st Quartile</b>	<b>Median</b>	<b>3rd Quartile</b>
MRI	\$1,598	\$2,129	\$3,322

Source: HSDA Equipment Registry

- As reflected in the tables above, the applicant's historical average gross MRI charge of \$1,123 in 2012 is below the 1<sup>st</sup> quartile statewide average charge.

- The applicant's proposed average charge is actually expected to decline to \$1,115
- In 2012 the average gross charge for MRI services in the service area ranged from \$1,086.39 at Sport Orthopedic and Spine to \$5,448.58 at McKenzie Regional Hospital

#### **Medicare/TennCare Payor Mix**

- TennCare- Charges will equal \$237,453 in Year One representing 10.3% of total gross revenue
- Medicare- Charges will equal \$959,032 in Year One representing 41.6% of total net revenue

#### **Financing**

- An October 7, 2013 letter from The Jackson Clinic Professional Association Chief Financial Officer Steve Batchelor confirms that the applicant has sufficient operating cash flow and cash reserves to fund the proposed project.
- The applicant's audited financial statements for the period ending December 31, 2012 indicates \$2,779,165 in cash, total current assets of \$3,761,168, total current liabilities of \$4,675,122 and a current ratio of 0.80:1.
- Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

#### **Staffing**

The staffing pattern will be unchanged at the proposed location. The applicant's proposed direct patient care staffing in Year One includes the following:

- 1.0 FTE Chief MRI Technologist
- 1.2 FTE MRI Technologist
- 1.0 FTE MRI Assistant

#### **Licensure/Accreditation**

- Licensure-Radioactive Materials License from the Tennessee Department of Conservation & Environment
- Certification-Medicare certification from Center for Medicare and Medicaid Services (CMS) and TennCare certification from the Tennessee Department of Health (TDH)
- Accreditation-Intersocietal Commissions for the Accreditation of Magnetic Resonance Laboratories and of Computed Tomography Laboratories.

**The Jackson Clinic  
CN1310-038**

**December 18, 2013**

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*Corporate documentation, real estate documents, FDA approval for MRI equipment, and vendor equipment quote are on file at the Agency office and will be available at the Agency meeting.*

Should the Agency vote to approve this project, the CON would expire in **two** years.

**CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT**

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant.

**CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:**

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for other health care organizations in the service area proposing this type of service.

**PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.**

MAF  
12/5/13

## LETTER OF INTENT



**LETTER OF INTENT -- HEALTH SERVICES & DEVELOPMENT AGENCY**

The Publication of Intent is to be published in the Jackson Sun, which is a newspaper of general circulation in Madison County, Tennessee, on or before October 10, 2013, for one day.

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This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that:

The Jackson Clinic, a professional private medical practice, owned and managed by The Jackson Clinic Professional Association, a corporation, intends to file an application for a Certificate of Need to relocate its existing MRI and CT services from the Clinic's campus at 616 West Forest Avenue, Jackson, TN 38301, into a newly constructed addition to the Clinic's North Campus medical office building at 2859 Highway 45 Bypass, Jackson, TN 38205 (a distance of 4.5 miles), and at the same time to replace/upgrade its one MRI unit with a new MRI unit. The capital cost of the project is estimated at \$2,000,000, including both construction of the building addition and the acquisition of the replacement MRI unit. The project does not contain any other type of major medical equipment and does not involve the initiation or discontinuance of any other health service.

The anticipated date of filing the application is on or before October 15, 2013. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 210, Nashville, TN 37215; (615) 665-2022.

John Wellborn 10-7-13

(Signature)

(Date)

jwdsg@comcast.net  
(E-mail Address)

# **ORIGINAL APPLICATION**

October 14, 2013

Melanie M. Hill, Executive Director  
Tennessee Health Services and Development Agency  
Frost Building, Third Floor  
161 Rosa Parks Boulevard  
Nashville, Tennessee 37203

RE: CON Application Submittal--Change of Site of Existing Practice-Based MRI  
Jackson Clinic Professional Association  
Jackson, Madison County

Dear Mrs. Hill:


This letter transmits an original and two copies of the subject application. The affidavit and filing fee are enclosed.

This application is for the relocation of the Jackson Clinic's existing MRI service within Jackson, from the Clinic's Forest Avenue practice office, to the Clinic's North Campus practice office, a distance of less than five miles. When the service is relocated, the Clinic will also replace its current MRI with a new MRI. The Clinic has discussed the project with Mark Farber, and will timely file the required HSDA notice of intent to replace major medical equipment.

The applicant requests that review of this application be placed on the consent calendar, on the grounds that it does nothing reviewable other than move existing MRI equipment within Jackson, without a change of service area, scope of service, or ownership.

I am the contact person for this project. Please advise me of any additional information you may need. We look forward to working with the Agency on this project.

Respectfully,

  
John Wellborn  
Consultant

**THE JACKSON CLINIC**

**CERTIFICATE OF NEED APPLICATION  
TO CHANGE THE LOCATION  
OF ITS MRI SERVICE  
FROM FOREST AVENUE  
TO THE  
JACKSON CLINIC'S NORTH CAMPUS  
ON HIGHWAY 45 BYPASS**

**JACKSON, MADISON COUNTY  
Filed October 15, 2013**

**PART A****1. Name of Facility, Agency, or Institution**

The Jackson Clinic--MRI Service		
<i>Name</i>		
2859 Highway 45 Bypass		
<i>Street or Route</i>		<i>County</i>
Jackson	TN	38205
<i>City</i>	<i>State</i>	<i>Zip Code</i>

**2. Contact Person Available for Responses to Questions**

John Wellborn		Consultant	
<i>Name</i>		<i>Title</i>	
Development Support Group		jwdsg@comcast.net	
<i>Company Name</i>		<i>E-Mail Address</i>	
4219 Hillsboro Road, Suite 210	Nashville	TN	37215
<i>Street or Route</i>	<i>City</i>	<i>State</i>	<i>Zip Code</i>
CON Consultant	615-665-2022	615-665-2042	
<i>Association With Owner</i>	<i>Phone Number</i>	<i>Fax Number</i>	

**3. Owner of the Facility, Agency, or Institution**

The Jackson Clinic Professional Association		
<i>Name</i>		
616 West Forest Avenue		
<i>Street or Route</i>		<i>County</i>
Jackson	TN	38301
<i>City</i>	<i>State</i>	<i>Zip Code</i>

**4. Type of Ownership or Control (Check One)**

A. Sole Proprietorship		F. Government (State of TN or Political Subdivision)	
B. Partnership		G. Joint Venture	
C. Limited Partnership		H. Limited Liability Company	
D. Corporation (For-Profit)	x	I. Other (Specify):	
E. Corporation (Not-for-Profit)			

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND  
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS**

**5. Name of Management/Operating Entity (If Applicable)**      **NA**

<i>Name</i>		
<i>Street or Route</i>		<i>County</i>
<i>City</i>	<i>State</i>	<i>Zip Code</i>

**6. Legal Interest in the Site of the Institution (Check One)**

A. Ownership		D. Option to Lease	
B. Option to Purchase		E. Other (Specify):	
C. Lease of <u>4</u> Years	x		

**7. Type of Institution (Check as appropriate—more than one may apply)**

A. Hospital (Specify): General		I. Nursing Home	
B. Ambulatory Surgical Treatment Center (ASTC) Multi-Specialty		J. Outpatient Diagnostic Center	
C. ASTC, Single Specialty		K. Recuperation Center	
D. Home Health Agency		L. Rehabilitation Center	
E. Hospice		M. Residential Hospice	
F. Mental Health Hospital		N. Non-Residential Methadone	
G. Mental Health Residential Facility		O. Birthing Center	
H. Mental Retardation Institutional Habilitation Facility (ICF/MR)		P. Other Outpatient Facility (Specify): <i>Private Practice MRI</i>	x
		Q. Other (Specify):	

**8. Purpose of Review (Check as appropriate—more than one may apply)**

		G. Change in Bed Complement Please underline the type of Change: Increase, Decrease, Designation, Distribution, Conversion, Relocation	
A. New Institution			
B. Replacement/Existing Facility		H. Change of Location	x
C. Modification/Existing Facility		I. Other (Specify):	
D. Initiation of Health Care Service as defined in TCA Sec 68-11-1607(4) (Specify)			
E. Discontinuance of OB Service			
F. Acquisition of Equipment			

**9. Bed Complement Data***NA**(Please indicate current and proposed distribution and certification of facility beds.)*

	<b>Current Licensed Beds</b>	<b>CON approved beds (not in service)</b>	<b>Staffed Beds</b>	<b>Beds Proposed (Change)</b>	<b>TOTAL Beds at Completion</b>
A. Medical					
B. Surgical					
C. Long Term Care Hosp.					
D. Obsetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolesc. Psych.					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid certified)					
M. Nursing Facility Lev. 1 (Medicaid only)					
N. Nursing Facility Lev. 2 (Medicare only)					
O Nursing Facility Lev. 2 (dually certified for Medicare & Medicaid)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child/Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
<b>TOTAL</b>					

<b>10. Medicare Provider Number:</b>	3370007
<b>Certification Type:</b>	physician practice
<b>11. Medicaid Provider Number:</b>	3370007
<b>Certification Type:</b>	physician practice

12. &amp; 13. See page 4

**A.12. IF THIS IS A NEW FACILITY, WILL CERTIFICATION BE SOUGHT FOR MEDICARE AND/OR MEDICAID?**

The Jackson Clinic is already certified for Medicare and Medicaid/TennCare for all of its services, including imaging. The relocation of its MRI to another Clinic office in Jackson will not affect those certifications.

**A.13. IDENTIFY ALL TENNCARE MANAGED CARE ORGANIZATIONS / BEHAVIORAL HEALTH ORGANIZATIONS (MCO'S/BHO'S) OPERATING IN THE PROPOSED SERVICE AREA. WILL THIS PROJECT INVOLVE THE TREATMENT OF TENNCARE PARTICIPANTS? Yes IF THE RESPONSE TO THIS ITEM IS YES, PLEASE IDENTIFY ALL MCO'S WITH WHICH THE APPLICANT HAS CONTRACTED OR PLANS TO CONTRACT.**

**DISCUSS ANY OUT-OF-NETWORK RELATIONSHIPS IN PLACE WITH MCO'S/BHO'S IN THE AREA.**

The Jackson Clinic is a participating provider group practice with the two TennCare MCOs servicing West Tennessee, BlueCare and United's AmeriChoice. The Clinic also is contracted to provide services for patients in the TennCare Select Community, including enrollees in the CoverKids/HealthTNBabies Program and special needs patients from the Arlington Developmental Center.

<b>Table One: Contractual Relationships with Service Area MCO's</b>	
<b>Available TennCare MCO's</b>	<b>Applicant's Relationship</b>
BlueCare	contracted
United Community Healthcare Plan	contracted
Select	contracted



## **SECTION B: PROJECT DESCRIPTION**

**B.I. PROVIDE A BRIEF EXECUTIVE SUMMARY OF THE PROJECT NOT TO EXCEED TWO PAGES. TOPICS TO BE INCLUDED IN THE EXECUTIVE SUMMARY ARE A BRIEF DESCRIPTION OF PROPOSED SERVICES AND EQUIPMENT, OWNERSHIP STRUCTURE, SERVICE AREA, NEED, EXISTING RESOURCES, PROJECT COST, FUNDING, FINANCIAL FEASIBILITY AND STAFFING.**

### Proposed Services and Equipment

- The applicant is the Jackson Clinic--a private, multispecialty group practice of approximately 140 physicians. It serves approximately 2,000 patients a day in its ten patient care locations across West Tennessee. Clinic physicians represent more than twenty-five specialties and subspecialties, in addition to primary care. It is the region's largest provider of women's and children's services; and it contracts with TennCare, Medicaid, and other Federal and State health plans. The Jackson Clinic is an innovative organization that introduced the region's first Comprehensive Electronic Health Record thirteen years ago. Recently it achieved the distinction of certification by the National Committee on Quality Assurance as a Level II Patient Centered Medical Home.
- The Clinic's principal offices are in Jackson, the county seat of Madison County. The Clinic's Forest Avenue office in Jackson operates an MRI service that received CON approval in 2001 (CN0012-116). The MRI has been in operation there for more than a decade. It shares space with the Clinic's CT service, and both are highly utilized.
- In this application, the Jackson Clinic proposes to move its MRI and CT services approximately five miles within Jackson, to the Clinic's leased North Campus medical office building at 2859 Highway 45 Bypass. A new Imaging Suite of approximately 3,000 SF will be constructed on the north side of the building, to house the MRI and CT. This is part of a complete relocation of Clinic staff and services from its Forest Avenue office to its North Campus and other locations in Jackson.
- As the MRI and CT services are relocated, the Clinic will replace its original MRI unit with a new MRI unit with advanced imaging capabilities. Although such replacement equipment by itself is not subject to CON review, the purchase price of the new MRI has been included in this CON application as a cost of establishing an MRI service at a new location. (The Clinic will also file with the HSDA an appropriate notice of intention to replace major medical equipment, a draft of which notice is included in the Attachments to this application.)

### Ownership Structure

- The MRI service is an imaging service of the Jackson Clinic. The Clinic is owned by The Jackson Clinic Professional Association, a corporation.

### Service Area

- The MRI's primary service area consists of eight contiguous West Tennessee counties around Jackson: Carroll, Chester, Crockett, Gibson, Hardeman, Henderson, Madison, and McNairy Counties. They generated approximately 90% of referrals to the MRI in 2012.

### Need

- The MRI must be moved because the Jackson Clinic is in the process of closing its Forest Avenue office and moving all of its personnel and services to other locations such as its North Campus on Highway 45 Bypass, one of Jackson's major thoroughfares. The Clinic has served patients at its North Campus for more than twenty years. It is necessary for the Clinic's medical equipment to relocate along with its physicians before the Forest Avenue office closes next year.

### Existing Resources

- This project will not change the number of MRI's in the primary service area, nor the number of MRI providers, nor the counties in which MRI services are offered.
- In the project's eight-county primary service area there are sixteen MRI units--nine in hospitals and seven in private physician practices. The units are operated by thirteen providers (including the Jackson Clinic). Seven of those providers are located in Madison County; three are located in Carroll County; and there is one provider in each of Chester, Henderson, and McNairy Counties.

### Project Cost

- The project cost for CON purposes is estimated at \$1,978,943, of which \$1,726,943 is an actual capital cost and \$252,000 is the value of the newly constructed Imaging Suite. Of the capital cost, the new MRI will cost approximately \$950,000 and the remaining \$776,943 will be the cost of the building addition and project implementation.

### Funding and Financial Feasibility

- Funding is available. The capital costs of the project will be provided by the Jackson Clinic from cash reserves.
- The project is feasible. The MRI service has operated at its Forest Avenue location for many years, with a positive cash flow and positive margin as demonstrated by the MRI service's Historic Data Chart in this application. In its new location, the MRI is projected to have a similar utilization, positive cash flow, and a positive operating margin.

### Staffing

- \* The project will not change the present level of MRI staffing, which is 3.2 employees.

**B.II. PROVIDE A DETAILED NARRATIVE OF THE PROJECT BY ADDRESSING THE FOLLOWING ITEMS AS THEY RELATE TO THE PROPOSAL.**

**B.II.A. DESCRIBE THE CONSTRUCTION, MODIFICATION AND/OR RENOVATION OF THE FACILITY (EXCLUSIVE OF MAJOR MEDICAL EQUIPMENT COVERED BY T.C.A. 68-11-1601 *et seq.*) INCLUDING SQUARE FOOTAGE, MAJOR OPERATIONAL AREAS, ROOM CONFIGURATION, ETC.**

The owner of the Clinic's leased medical office building will construct a new wing on its north side, to house the relocated MRI and CT services. That will require construction of 3,000 SF of new space and renovation of approximately 50 SF of the existing main building for a doorway to connect the existing and new areas. As shown below, the construction cost of the addition will total only \$602,500, and will average approximately \$198 PSF.

<b>Table One: Summary of Construction and Changes in Size</b>	
	<b>Total Square Feet</b>
Area of New Construction	3,000 SF
Area of Buildout or Renovation	50 SF
Total New & Renovated Construction	3,050 SF

<b>Table Two: Construction Costs of This Project</b>			
	<b>Renovated Construction</b>	<b>New Construction</b>	<b>Total Project</b>
Square Feet	50 SF	3,000 SF	3,050 SF
Construction Cost	\$2,500	\$600,000	\$602,500
Constr. Cost PSF	\$50 PSF	\$200 PSF	\$197.54 PSF

The MRI/CT Imaging Suite will contain an MRI control room and an MRI exam room where the MRI unit will be located. The suite also will contain a CT control room and a CT exam room for the CT unit. The suite will have rooms for injecting radiopharmaceuticals, patient consultation, patient dressing, and toilets. It will be connected to the main building by an entrance corridor and doorway.

APPLICANTS WITH HOSPITAL PROJECTS (CONSTRUCTION COST IN EXCESS OF \$5 MILLION) AND OTHER FACILITY PROJECTS (CONSTRUCTION COST IN EXCESS OF \$2 MILLION) SHOULD COMPLETE THE SQUARE FOOTAGE AND COSTS PER SQUARE FOOTAGE CHART....

Not applicable.

PLEASE ALSO DISCUSS AND JUSTIFY THE COST PER SQUARE FOOT FOR THIS PROJECT.

<b>Table Two: Construction Costs of This Project</b>			
	<b>Renovated Construction</b>	<b>New Construction</b>	<b>Total Project</b>
Square Feet	50 SF	3,000 SF	3,050 SF
Construction Cost	\$2,500	\$600,000	\$602,500
Constr. Cost PSF	\$50 PSF	\$200 PSF	\$197.54 PSF

The HSDA compiles data on construction costs for several types of projects. The category closest to this Imaging addition would be Outpatient Diagnostic Centers. The HSDA had insufficient sample size to provide reliable average cost data on those projects from 2009-2011 and from 2010-2012, their most recent dates of publishing such data.

However, this project costs compare favorably to two groups of projects. One group consists of hospital construction projects approved by the HSDA in 2009-2011, which had the following construction costs per SF:

<b>Table Three: Hospital Construction Cost PSF Years: 2009 – 2011</b>			
	<b>Renovated Construction</b>	<b>New Construction</b>	<b>Total Construction</b>
1 <sup>st</sup> Quartile	\$125.84/sq ft	\$235.86/sq ft	\$167.99/sq ft
Median	\$177.60/sq ft	\$274.63/sq ft	\$249.32/sq ft
3 <sup>rd</sup> Quartile	\$125.84/sq ft	\$324.00/sq ft	\$301.74/sq ft

*Source: HSDA, from CON approved applications during 2009-2011.*

The Jackson Clinic's construction cost for this Imaging Suite is approximately \$198 PSF overall, for 3,050 SF of new and renovated areas. That is below the median

cost of the referenced hospital cost averages. The Imaging Suite's costs for new and renovated space are also below the medians in the HSDA table.

A second point of comparison is a group of Outpatient Diagnostic Center projects granted CON approval in 2009-2011. The \$198 construction cost of the Clinic Imaging Suite is within their range of costs, as shown below.

<b>Table Four: ODC Project Construction Costs, 2009-2011 Approvals</b>				
<b>CON Number</b>	<b>Project Name</b>	<b>Total SF</b>	<b>Construction Cost</b>	<b>Cost PSF</b>
CN0908-044	ImagDent of Memphis	1,746	\$90,000,000	\$51.55
CN1010-046	Murfreesboro Diag.Imaging	9,587	\$1,171,090	\$122.15
CN1010-047	Cleveland Imaging	911	\$245,886	\$269.91
CN1103-008	E. TN Community Open MRI	795	\$127,500	\$160.38
CN1110-039	St. Thomas OP Imaging	7,737	\$1,235,500	\$159.69

**IF THE PROJECT INVOLVES NONE OF THE ABOVE, DESCRIBE THE DEVELOPMENT OF THE PROPOSAL.**

Not applicable.

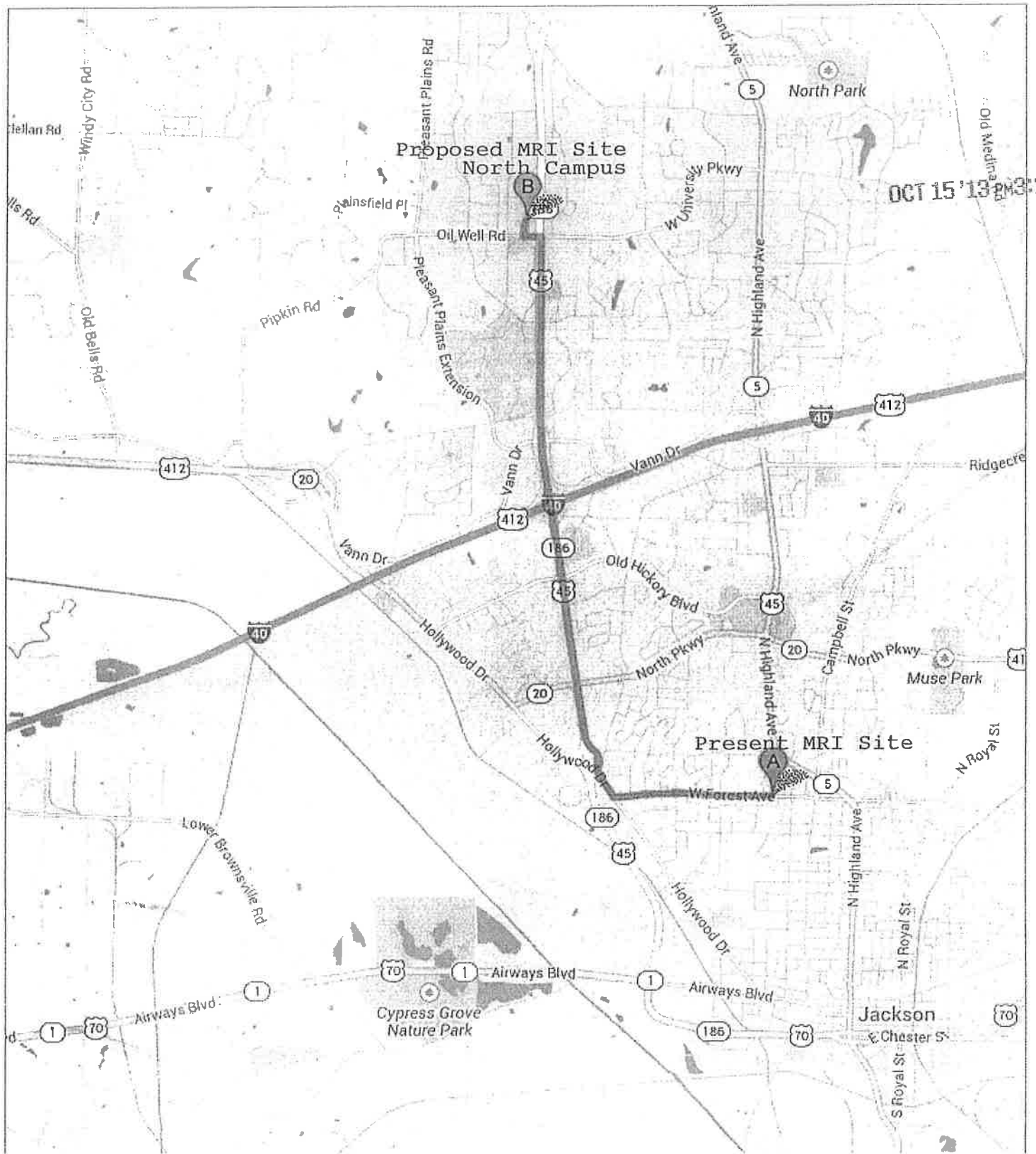
**B.II.B. IDENTIFY THE NUMBER AND TYPE OF BEDS INCREASED, DECREASED, CONVERTED, RELOCATED, DESIGNATED, AND/OR REDISTRIBUTED BY THIS APPLICATION. DESCRIBE THE REASONS FOR CHANGE IN BED ALLOCATIONS AND DESCRIBE THE IMPACT THE BED CHANGE WILL HAVE ON EXISTING SERVICES.**

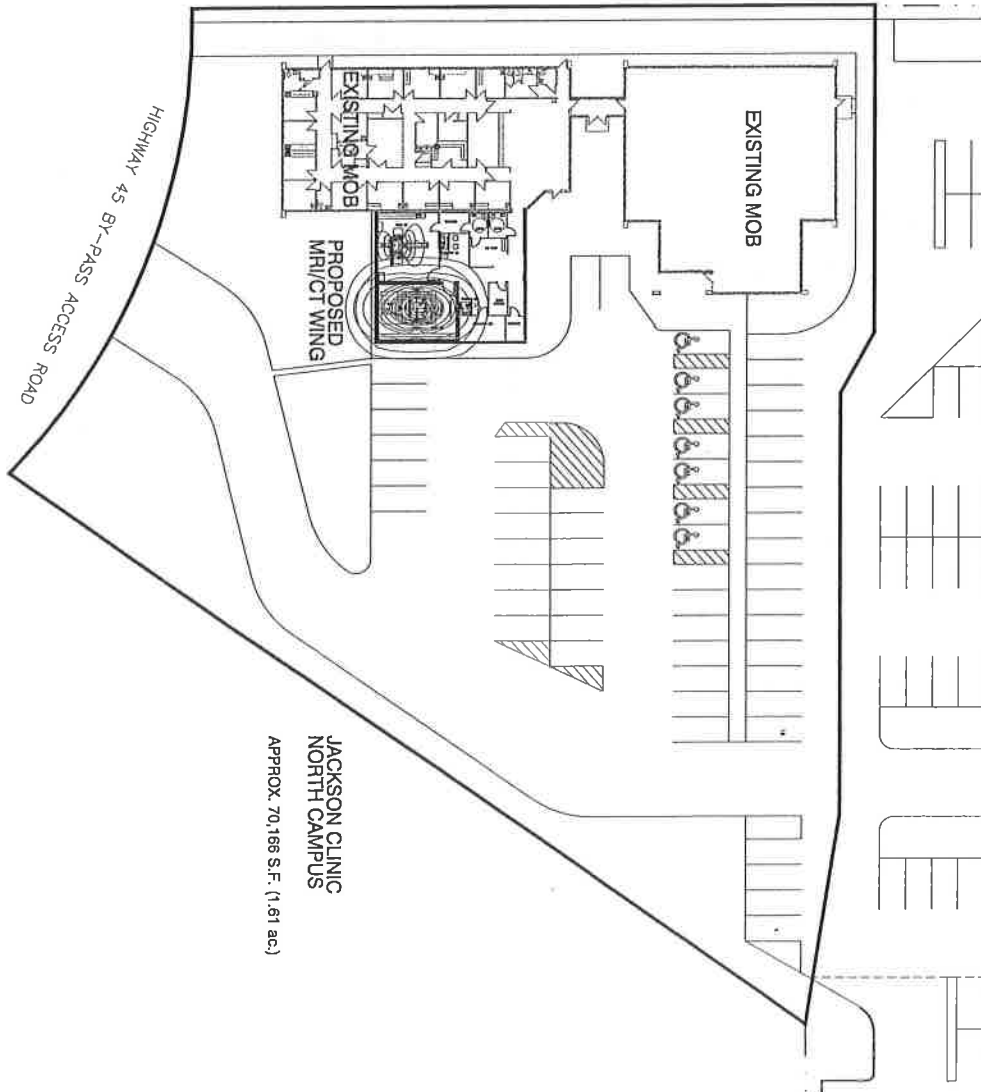
Not applicable.

26

To see all the details that are visible on the screen, use the "Print" link next to the map.

Google





1 SITE LAYOUT PLAN  
SCALE: 1" = 20'



C1.1

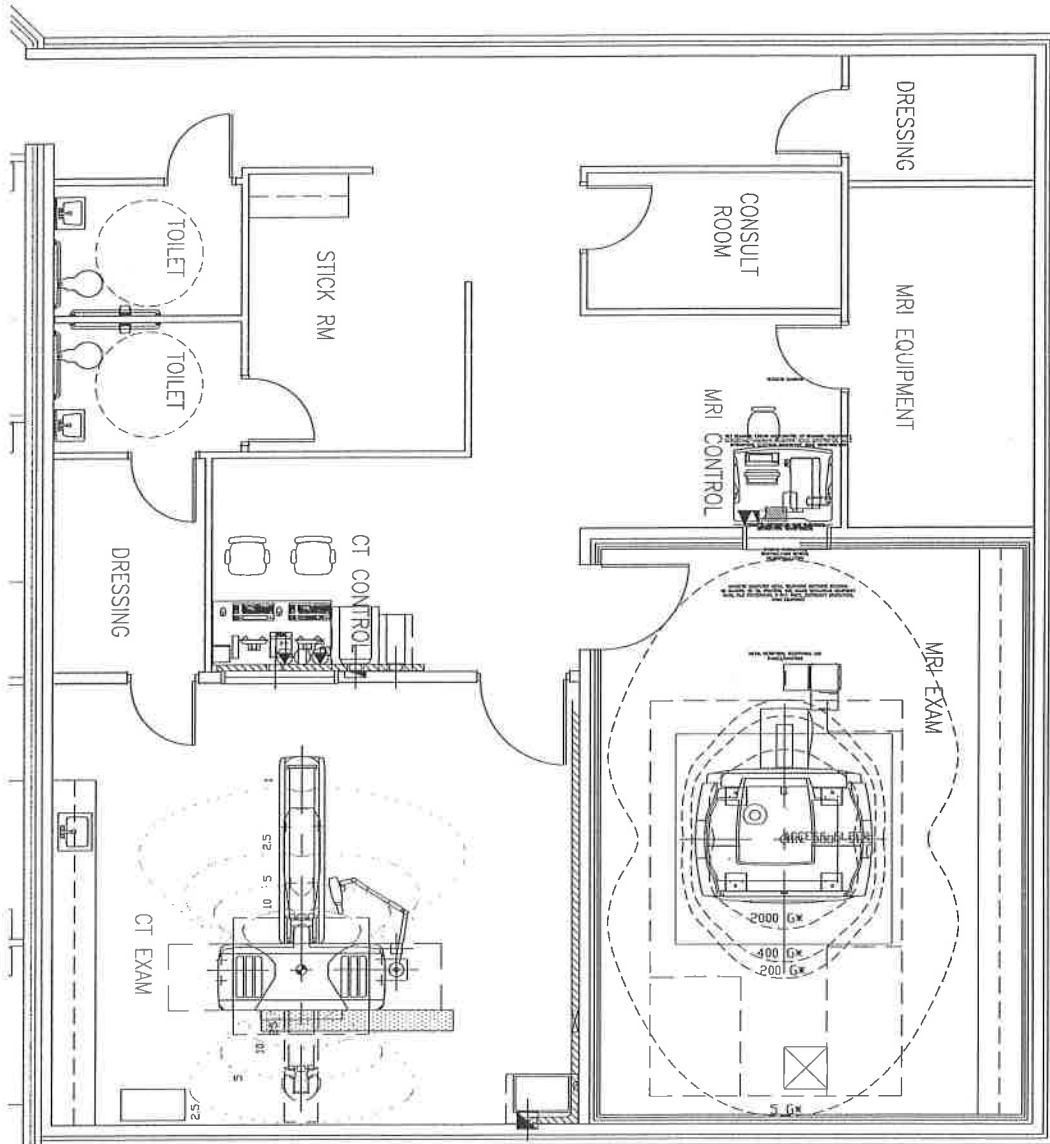
**MRI & CT SUITE ADDITION TO  
THE JACKSON CLINIC  
ORTHOPEDICS**

2859 HWY 45 BYPASS JACKSON, TN



**V AUGHAN  
ASSOCIATES  
ARCHITECTS  
INCORPORATED**

1111 HUNLEY SQUARE DRIVE  
JACKSON, TN 39203  
PHONE 731 / 466-0370  
WASHINGTON@VVAUGHAN.COM



OCT 15 18 PM 3:23

1 PARTIAL FLOOR PLAN  
SCALE 1/8" = 1'-0"



A1.1

**MRI & CT SUITE ADDITION TO  
THE JACKSON CLINIC  
ORTHOPEDICS**  
2859 HWY 45 BYPASS JACKSON, TN

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**THE JACKSON CLINIC  
PROFESSIONAL ASSOCIATION  
PROFESSIONAL STAFF LISTING  
BY DEPARTMENT  
AS OF OCTOBER, 2013**

**ANESTHESIOLOGY**

Alan Adams, D.O.  
Ashley Ermenc, M.D.  
James C. Freeman, M.D.  
Edward E. Hockaday, Jr., M.D.  
John W. Miles, D.O.

**CARDIOLOGY**

John W. Baker, M.D.  
C. Jason Cherry, M.D.  
James H. Crenshaw, Jr., M.D.  
Maria Sandra V. Dee, M.D.  
T. James Humphreys, M.D.  
Chibuzo E. Nwokolo, M.D.  
Joseph M. Okolo, M.D.  
Michael O. Osayamen, M.D.  
Abdul Rashid, M.D.  
Antwan D. Robinson, M.D.  
Shahzad Shah, M.D.

**CONVENIENT CARE**

Sharon D. Hopkins, M.D.  
Benny C. Houston, M.D.  
Chris L. Lewis, M.D.  
James L. Manning, M.D.  
Luis F. Pagoaga, M.D.  
Joseph L. Ragon, M.D.  
Maryanne T. Rodriguez, M.D.  
Rosilin K. Wright, M.D.

**DERMATOLOGY**

Holly Clowers, M.D.  
Frances K. Lawhead, M.D.  
Maria Mariencheck, M.D.  
James J. Szabo, M.D.

**ENDOCRINOLOGY**

Ebenezer A. Nyenwe, M.D.

**FAMILY PRACTICE**

W. David Bryan, M.D. (North Jackson)  
 Elizabeth G. Burgess, M.D. (North Jackson)  
 Philip Andrew Coy, D.O. (North Jackson)  
 David L. Garey, M.D. (North Jackson)  
 Keith H. Kirby, M.D. (Humboldt)  
 Dulce F. E. Madrid, M.D. (Humboldt)  
 Eric W. Muir, M.D. (North Jackson)  
 Jason A. Myatt, M.D. (North Jackson)  
 Amanda M. Reiter, M.D. (Huntingdon)  
 Tori H. Russell, M.D. (South Jackson)  
 Cindy R. Swaim, M.D. (Humboldt)  
 Bethany A. Wardlow, M.D. (South Jackson)  
 Kellie L. Wilding, M.D. (North Jackson)

**GASTROENTEROLOGY**

James E. Egan, M.D.  
 Ami K. Naik, M.D.  
 R. Mark Short, M.D.  
 Gregory A. Szych, D.O.

**GENERAL/THORACIC/VASCULAR SURGERY**

Heath J. Broussard, M.D.  
 James G. Chambers IV, M.D.  
 Harvey C. Harmon, M.D.  
 Kamran Mahalati, M.D.  
 Andrew G. Myers, M.D.  
 Steven R. Thorne, M.D.  
 Sachin Vaikunth, M.D.

**INFECTIOUS DISEASE**

Melissa A. Appleton, M.D.  
 Debra L. Rainey, M.D.

**INTERNAL MEDICINE**

Joe A. Appleton, M.D. (Milan)  
 Melissa A. Appleton, M.D.  
 Nicolas B. Appleton, M.D. (Milan)  
 Marshall Denny Banks, M.D.  
 Stephen G. Bergquist, M.D. (Wound Care)  
 James J. Diffie, III, M.D. (North Jackson)  
 Jere D. Hammond, M.D. (North Jackson)  
 Daniel L. Honeycutt, M.D. (North Jackson)  
 John Mark Jenkins, M.D. (North Jackson)  
 W. Bradley Lofton, M.D. (Hospitalist)  
 Natasha Mahajan, M.D.

Osayawe N. Odeh, M.D.  
 Aleruchi Y. Oleru, M.D. (Hospitalist)  
 Evanna Proctor, M.D. (Hospitalist)  
 Debra L. Rainey, M.D.  
 Alan C. Rothrock, M.D. (Hospitalist)  
 Todd A. Teague, M.D. (North Jackson)  
 Bryan P. Tygart, M.D. (Hospitalist)  
 Robert A. Vegors, M.D. (Geriatric Medicine)  
 Bradley M. Webb, M.D. (Hospitalist)  
 Brian J. Wheeler, M.D. (Hospitalist)  
 James B. Witherington, III, M.D.

### **INTERNAL MEDICINE/PEDIATRICS**

Lisa N. Anderson, M.D. (North Jackson)  
 E. Carlton Hays, Jr., M.D. (North Jackson)  
 James A. Payne, M.D. (North Jackson)  
 Hannah L. Shelby-Kennedy, M.D. (North Jackson)

### **NEPHROLOGY**

Susan M. Francisco, M.D.  
 Chima O. Oleru, M.D.  
 Tracy A. Townes-Bougard, M.D.  
 Lucius F. Wright, M.D.  
 S. Debbie Vasilopoulos, M.D.

### **OBSTETRICS/GYNECOLOGY**

J. Jeffrey Ball, M.D. (North Jackson)  
 Lolly H. Eldridge, M.D. (North Jackson)  
 Stephen D. Hammond, M.D. (North Jackson)  
 Stacey Hunt Okolo, M.D. (North Jackson)  
 W. Franklin Pierce, IV, M.D. (North Jackson)  
 Lisa W. Rogers, M.D. (North Jackson)  
 Christopher T. Welsch, M.D. (North Jackson)  
 W. Keith Williams, M.D. (North Jackson)  
 Donald A. Wilson, M.D. (North Jackson)  
 Glynn M. Wittber, M.D. (North Jackson)

### **ONCOLOGY & HEMATOLOGY**

Salomon Asmar, M.D.  
 Anita Gul, M.D.  
 Dwight C. Kaufman, M.D.  
 Eugene P. Reese, Jr., M.D.

### **OPHTHALMOLOGY**

Stephen D. Hammond, Jr., M.D. (North Jackson)  
 Russell S. Lents, M.D. (North Jackson)

**ORTHOPEDIC SURGERY**

Cameron D. Knight, M.D.  
 Alan Pechacek, M.D.  
 David M. Sickie, M.D.  
 Michael J. Smigielski, M.D.  
 R. Frederick Torstrick, M.D.  
 (Hand Surgery)  
 James G. Warmbrod, M.D.

**OTOLARYNGOLOGY**

K. Asif Ahmed, M.D.  
 Ronald H. Kirkland, M.D.  
 William A. Preston, M.D.

**PEDIATRICS**

Scott E Owens, M.D. (North Jackson)  
 Tara K. Pedigo, M.D. (North Jackson)  
 Michelle G. Puzdrakiewicz, M.D.  
 William P. Stepp, Jr., M.D. (North Jackson)  
 William H. Woods, Jr., M.D. (North Jackson)

**PLASTIC SURGERY**

Peter Lin, M.D.  
 John G. Sparrow, M.D. (North Jackson)

**PODIATRY**

Rodney J. Staton, D.P.M. (North Jackson)

**PSYCHIATRY**

E. King Bond, Jr., M.D.

**PSYCHOLOGY**

John B. Hopkins, Ph.D.

**PULMONARY/CRITICAL CARE MEDICINE**

Thomas W. Ellis, M.D.  
 Robert J. Gilroy, Jr., M.D.  
 Jorge N. Glass, M.D.  
 Dana D. Hager, M.D.  
 William I. Mariencheck, Jr., M.D.  
 Ronald F. Taylor, M.D.  
 Tommy A. Wood, M.D.

**RADIOLOGY**

Pamela A. Wells, M.D. (North Jackson)

**UROLOGY**

Timothy C. Davenport, M.D.

John H. Meriwether, M.D.

John L. Shaw, Jr., M.D.

**B.II.C. AS THE APPLICANT, DESCRIBE YOUR NEED TO PROVIDE THE FOLLOWING HEALTH CARE SERVICES (IF APPLICABLE TO THIS APPLICATION):**

1. ADULT PSYCHIATRIC SERVICES
2. ALCOHOL AND DRUG TREATMENT ADOLESCENTS >28 DAYS
3. BIRTHING CENTER
4. BURN UNITS
5. CARDIAC CATHETERIZATION SERVICES
6. CHILD AND ADOLESCENT PSYCHIATRIC SERVICES
7. EXTRACORPOREAL LITHOTRIPSY
8. HOME HEALTH SERVICES
9. HOSPICE SERVICES
10. RESIDENTIAL HOSPICE
11. ICF/MR SERVICES
12. LONG TERM CARE SERVICES
13. MAGNETIC RESONANCE IMAGING (MRI)
14. MENTAL HEALTH RESIDENTIAL TREATMENT
15. NEONATAL INTENSIVE CARE UNIT
16. NON-RESIDENTIAL METHADONE TREATMENT CENTERS
17. OPEN HEART SURGERY
18. POSITIVE EMISSION TOMOGRAPHY
19. RADIATION THERAPY/LINEAR ACCELERATOR
20. REHABILITATION SERVICES
21. SWING BEDS

Not applicable.

**B.II.D. DESCRIBE THE NEED TO CHANGE LOCATION OR REPLACE AN EXISTING FACILITY.**

The MRI must be relocated because the Jackson Clinic is in the process of closing its Forest Avenue office and moving all of its personnel and services to other locations, such as its North Campus on Highway 45 Bypass, one of Jackson's major thoroughfares. The Clinic has served patients at its North Campus for more than twenty years. The Forest Avenue building, once vacated, may be demolished by its owner, a local hospital. Medical equipment such as this must obviously follow its physicians when they move their practices.

**B.II.E. DESCRIBE THE ACQUISITION OF ANY ITEM OF MAJOR MEDICAL EQUIPMENT (AS DEFINED BY THE AGENCY RULES AND THE STATUTE) WHICH EXCEEDS A COST OF \$1.5 MILLION; AND/OR IS A MAGNETIC RESONANCE IMAGING SCANNER (MRI), POSITRON EMISSION TOMOGRAPHY (PET) SCANNER, EXTRACORPOREAL LITHOTRIPTER AND/OR LINEAR ACCELERATOR BY RESPONDING TO THE FOLLOWING:**

**1. For fixed site major medical equipment (not replacing existing equipment):**

**a. Describe the new equipment, including:**

- 1. Total Cost (As defined by Agency Rule);**
- 2. Expected Useful Life;**
- 3. List of clinical applications to be provided; and**
- 4. Documentation of FDA approval.**

**b. Provide current and proposed schedule of operations.**

**2. For mobile major medical equipment....(not applicable)**

**3. Indicate applicant's legal interest in equipment (e.g., purchase, lease, etc.)**

**In the case of equipment purchase, include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.**

The applicant is replacing its MRI with similar but updated equipment. That is not "acquisition of major medical equipment" under the CON statute and rules, which exempt such replacements from CON review. However, HSDA staff recommends that the value of the MRI be included in this project's cost, being associated with establishment of a major medical service at a new site.

The MRI replacement unit will be purchased and owned by the Jackson Clinic. Its fair market value is estimated to be \$950,000. That is based on a vendor's quoted sale price of \$858,200, increased 10% to \$944,020 to allow for sales tax and other incidentals. That quotation is provided in Attachment B.II.E.3. This amount was rounded up to \$950,000 in the Project Cost Chart. The 1.5T GE unit has an expected life of at least five years. It will perform the typical range of MRI studies of all sites of the body. It is FDA-approved. The letter documenting approval is being provided by the vendor. When it arrives it will be provided in Attachment B.II.E.1.

**B.III.A. ATTACH A COPY OF THE PLOT PLAN OF THE SITE ON AN 8-1/2" X 11" SHEET OF WHITE PAPER WHICH MUST INCLUDE:**

1. SIZE OF SITE (IN ACRES);
2. LOCATION OF STRUCTURE ON THE SITE;
3. LOCATION OF THE PROPOSED CONSTRUCTION; AND
4. NAMES OF STREETS, ROADS OR HIGHWAYS THAT CROSS OR BORDER THE SITE.

**PLEASE NOTE THAT THE DRAWINGS DO NOT NEED TO BE DRAWN TO SCALE. PLOT PLANS ARE REQUIRED FOR ALL PROJECTS.**

See Attachment B.III.A.

**B.III.B.1. DESCRIBE THE RELATIONSHIP OF THE SITE TO PUBLIC TRANSPORTATION ROUTES, IF ANY, AND TO ANY HIGHWAY OR MAJOR ROAD DEVELOPMENTS IN THE AREA. DESCRIBE THE ACCESSIBILITY OF THE PROPOSED SITE TO PATIENTS/CLIENTS.**

Maps of Jackson showing the present and proposed sites of the MRI are in Attachment C, Need---3. The two sites are only approximately five miles and eleven minutes' drive time apart. The current site is south of I-40, close to Jackson-Madison Regional Hospital; and the proposed North Campus site is north of I-40, near West Towne Commons on Oil Well Road. Both locations are easily accessible from Highway 45 Bypass, which runs north and south through Jackson, crossing I-40 at Exit 80. The new site is readily accessible to all parts of Jackson and to the entire eight-county primary service area. The table below shows mileage and drive times from the new site to the principal communities in the other seven counties in the service area. The new site is one block off a major road with bus service by the Jackson Transit Authority.

<b>Table _: Mileage and Drive Times Between Project and Major Communities in the Primary Service Area</b>			
	<b>County</b>	<b>Distance</b>	<b>Drive Time</b>
1. Huntingdon	Carroll	38.0 mi.	47 min.
2. McKenzie	Carroll	39.3mi.	53 min.
3. Henderson	Chester	24.1 mi.	34 min.
3. Alamo	Crockett	20.9 mi.	24 min.
4. Trenton	Gibson	23.2 mi.	34 min.
5. Humboldt	Gibson	11.5 mi.	17 min.
5. Bolivar	Hardeman	34.3 mi.	45 min.
6. Lexington	Henderson	30.4 mi.	33 min.
7. Selmer	McNairy	43.1 mi.	53 min.

*Source: Google Maps, October 2013*



**B.IV. ATTACH A FLOOR PLAN DRAWING FOR THE FACILITY, WHICH INCLUDES PATIENT CARE ROOMS (NOTING PRIVATE OR SEMI-PRIVATE), ANCILLARY AREAS, EQUIPMENT AREAS, ETC.**

See attachment B.IV.

**IV. FOR A HOME CARE ORGANIZATION, IDENTIFY**

- 1. EXISTING SERVICE AREA (BY COUNTY);**
- 2. PROPOSED SERVICE AREA (BY COUNTY);**
- 3. A PARENT OR PRIMARY SERVICE PROVIDER;**
- 4. EXISTING BRANCHES AND/OR SUB-UNITS; AND**
- 5. PROPOSED BRANCHES AND/OR SUBUNITS.**

Not applicable. The application is not for a home care organization.

**C(I) NEED**

**C(I).1. DESCRIBE THE RELATIONSHIP OF THIS PROPOSAL TO THE IMPLEMENTATION OF THE STATE HEALTH PLAN AND TENNESSEE'S HEALTH: GUIDELINES FOR GROWTH.**

**A. PLEASE PROVIDE A RESPONSE TO EACH CRITERION AND STANDARD IN CON CATEGORIES THAT ARE APPLICABLE TO THE PROPOSED PROJECT. DO NOT PROVIDE RESPONSES TO GENERAL CRITERIA AND STANDARDS (PAGES 6-9) HERE.**

**B. APPLICATIONS THAT INCLUDE A CHANGE OF SITE FOR A HEALTH CARE INSTITUTION, PROVIDE A RESPONSE TO GENERAL CRITERION AND STANDARDS (4)(a-c).**

**Project-Specific Review Criteria: Construction, Renovation, Expansion, and Replacement of Health Care Institutions**

**1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.**

Not applicable. The project does not add any of these things. It is a change of location for an existing service and major medical equipment.

**2. For relocation or replacement of an existing licensed healthcare institution:**

**a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative**

Not applicable. This is not for replacement of a licensed health care institution.

**b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.**

Not applicable. This is not for replacement of a licensed health care institution.

**3. For renovation or expansion of an existing licensed healthcare institution:**

**a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.**

Not applicable. This is not for replacement of a licensed health care institution.

b. the applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

Not applicable. This is not for replacement of a licensed health care institution.

#### General Criteria for Change of Site

(4) **Applications for Change of Site.** When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the Agency may consider, in addition to the foregoing factors, the following factors:

(a) ***Need.*** The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed site.

This is not a change of site for proposed new health care institution. However, the following information is offered in response.

The new site is only 11 minutes' drive from the present site, in a city with excellent roads. The new site has been a major practice location for the Jackson Clinic for 20 years. The Clinic's MRI patients are referred to it from many surrounding counties; and patients can reach the North Campus site at least as easily as they can reach the Forest Avenue site. The proposed site is as convenient to I-40 as is the present site. Both can be reached in five to six minutes' drive time from Exit 80.

The necessity of relocating the MRI is that the Clinic soon will not provide any patient care at all in the Forest Avenue building, whose owner may elect to demolish the building. This long-authorized MRI cannot continue to serve Clinic patients unless it is moved to the Clinic's other large practice location in Jackson, i.e. to its North Campus.

(b) ***Economic Factors.*** The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

The site is no less beneficial to patients. The service will remain equally accessible--both financially and physically. The MRI charge structure, which has been unchanged for several years, will continue unchanged at the new location.

**(c) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.**

There are no issues of potential delay in this project. The site is available and under the control of the Jackson Clinic. The design team is well along in architectural plans. The relocation of physicians out of the Forest Avenue building is already underway. The Clinic has negotiated a purchase agreement for the MRI, conditional on CON approval for its relocation.

# The Framework for Tennessee's Comprehensive State Health Plan

## Five Principles for Achieving Better Health

The following Five Principles for Achieving Better Health serve as the basic framework for the State Health Plan. After each principle, the applicant states how this CON application supports the principle, if applicable.

### 1. Healthy Lives

*The purpose of the State Health Plan is to improve the health of Tennesseans.*

The Jackson Clinic is deeply involved in leading-edge organization to deliver the most cost-effective, high-quality health care in its market. Having the capability for on-site MRI imaging for patients traveling to the Clinic from distant communities allows the Clinic to provide them with immediate access to needed tests, without imposing additional travel burdens on them. This is an efficiency worth preserving. The MRI must be relocated in order to continue providing such efficient care.

### 2. Access to Care

*Every citizen should have reasonable access to health care.*

The change of location does not in any way impede access to this MRI service. It enables the service to continue in operation for the benefit of patients of the practice.

### 3. Economic Efficiencies

*The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system.*

The Jackson Clinic's use of on-site MRI for patients needing rapid access to those studies is an efficiency that supports this principle of the State Health Plan.

### 4. Quality of Care

*Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.*

The Clinic's MRI and CT services are both fully accredited by the Intersocietal Commission for Accreditation (ICA). Documents of accreditation are included in Attachment C, Orderly Development--7(C). These accrediting bodies provide confidence in the high quality of imaging studies provided by the Clinic.

## **5. Health Care Workforce**

*The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.*

This principle is not relevant to this project. There will be no reduction or increase of the workforce, and no change in its development, recruitment, or retention. This is simply a change of site for an existing service of the medical practice. However, if the relocation is not allowed, it will adversely affect retention of the 3.2 clinical employees of the MRI service.

## **C(1).2. DESCRIBE THE RELATIONSHIP OF THIS PROJECT TO THE APPLICANT'S LONG-RANGE DEVELOPMENT PLANS, IF ANY.**

The applicant is a private physician practice and does not publish long-range development plans.

**C(I).3. IDENTIFY THE PROPOSED SERVICE AREA AND JUSTIFY THE REASONABLENESS OF THAT PROPOSED AREA. SUBMIT A COUNTY-LEVEL MAP INCLUDING THE STATE OF TENNESSEE CLEARLY MARKED TO REFLECT THE SERVICE AREA. PLEASE SUBMIT THE MAP ON A 8-1/2" X 11" SHEET OF WHITE PAPER MARKED ONLY WITH INK DETECTABLE BY A STANDARD PHOTOCOPIER (I.E., NO HIGHLIGHTERS, PENCILS, ETC.).**

The service area reflects the actual MRI patient origin county percentages experienced by the Jackson Clinic in CY2012. These 2012 county percentages were applied to the projected total utilization of the MRI in Years One and Two to project patients by county in Years One and Two.

A service area map and a map showing the location of the service within the State of Tennessee are provided as Attachments C, Need--3.

<b>Table Five: Projected Patient Origin of MRI Patients of the Jackson Clinic</b>			
<b>County</b>	<b>Percent of Total</b>	<b>Year One Patients</b>	<b>Year Two Patients</b>
Madison	45.5%	846	846
Gibson	16.9%	314	314
Henderson	5.6%	104	104
Carroll	5.1%	95	95
McNairy	4.7%	87	87
Crockett	4.6%	86	86
Hardeman	4.2%	78	78
Chester	3.1%	58	58
<b>Subtotal PSA</b>	<b>89.8%</b>	<b>1,668</b>	<b>1,668</b>
24 Other Counties < 2%	10.2%	192	192
<b>Total All Counties</b>	<b>100.0%</b>	<b>1,860</b>	<b>1,860</b>

*Source: Practice records for patient origin; patients from Projected Data Chart.*

**C(1).4.A DESCRIBE THE DEMOGRAPHICS OF THE POPULATION TO BE SERVED BY THIS PROPOSAL.**

Please see the demographic statistics in Table Six following this page. Compared to the State averages, the Clinic MRI's rural eight-county primary service area (PSA) has the following characteristics.

- The PSA has a higher median age.
- Its approximately 300,000 residents are more elderly (65+ years of age), and in 2017 the population will remain more elderly--17.2% vs. 14.6% projected.
- Although the PSA's elderly population is growing more slowly than in the State as a whole, it will nonetheless increase 8.4% by 2017.
- The four counties for which income data is available from the U.S. Census website have a lower median household income, a higher percent of residents enrolled in TennCare, and a higher percent of residents living in poverty.

*(Note: At the time of this application, income data from the U.S. Census Quickfacts on four of the eight counties was not available on the Census website due to Federal budget constraints.)*



**Table Six: Demographic Characteristics of Jackson Clinic MRI Primary Service Area  
2013-2017**

Demographic	CARROLL County	CHESTER County	CROCKETT County	GIBSON County	HARDEMAN County	HENDERSON County	MCNAIRY County	MADISON County	TENNESSEE PSA	STATE OF TENNESSEE
Median Age-2010 US Census	42.0	36.2	39.6	39.9	39.2	43.5	41.6	36.8	39.9	37.8
Total Population-2013	28,213	17,355	14,568	50,748	26,492	28,080	26,408	99,153	291,017	6,528,014
Total Population-2017	27,890	17,866	14,644	51,952	26,106	28,507	27,129	100,685	294,779	6,772,022
Total Population-% Change 2013 to 2017	-1.1%	2.9%	0.5%	2.4%	-1.5%	1.5%	2.7%	1.5%	1.3%	3.7%
Age 65+ Population-2013	5,441	2,680	2,515	8,663	4,113	4,538	4,964	13,992	46,906	878,496
% of Total Population	19.3%	15.4%	17.3%	17.1%	15.5%	16.2%	18.8%	14.1%	16.1%	13.5%
Age 65+ Population-2017	5,731	2,898	2,631	9,075	4,484	5,132	5,390	15,493	50,834	987,074
% of Total Population	20.5%	16.2%	18.0%	17.5%	17.2%	18.0%	19.9%	15.4%	17.2%	14.6%
Age 65+ Population- % Change 2013-2017	5.3%	8.1%	4.6%	4.8%	9.0%	13.1%	8.6%	10.7%	8.4%	12.4%
Median Household Income	\$36,455	\$39,776	\$36,743	\$37,577	\$32,601	\$37,627	\$34,953	\$40,667	\$37,049.88	\$43,989
TennCare Enrollees (06/13)	6,664	3,390	3,408	11,141	6,159	5,990	6,788	20,973	64,513	1,211,113
Percent of 2012 Population Enrolled in TennCare	23.6%	19.5%	23.4%	22.0%	23.2%	21.3%	25.7%	21.2%	22.2%	18.6%
Persons Below Poverty Level (2012)	5,219	3,107	2,753	9,084	5,722	4,633	5,942	19,037	55,498	1,103,234
Persons Below Poverty Level As % of Population (US Census)	18.5%	17.9%	18.9%	17.9%	21.6%	16.5%	22.5%	19.2%	19.1%	16.9%

Sources: TDH Population Projections, May 2013; U.S. Census Quickfacts and FactFinder2; Bureau of TennCare.

PSA data is unweighted average, or total, of county data.

"na" indicates Census data website shutdown in early October.

**C(I).4.B. DESCRIBE THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION, INCLUDING HEALTH DISPARITIES, THE ACCESSIBILITY TO CONSUMERS, PARTICULARLY THE ELDERLY, WOMEN, RACIAL AND ETHNIC MINORITIES, AND LOW-INCOME GROUPS. DOCUMENT HOW THE BUSINESS PLANS OF THE FACILITY WILL TAKE INTO CONSIDERATION THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION.**

This is an older rural population. The elderly require more healthcare than younger age groups. That includes diagnostic studies using MRI. It is important to the Jackson Clinic's patients that this MRI remains in service at Clinic offices in order to provide rapid access to cost-effective care. This benefit will be provided to all of the groups listed above.

**C(I).5. DESCRIBE THE EXISTING OR CERTIFIED SERVICES, INCLUDING APPROVED BUT UNIMPLEMENTED CON'S, OF SIMILAR INSTITUTIONS IN THE SERVICE AREA. INCLUDE UTILIZATION AND/OR OCCUPANCY TRENDS FOR EACH OF THE MOST RECENT THREE YEARS OF DATA AVAILABLE FOR THIS TYPE OF PROJECT. BE CERTAIN TO LIST EACH INSTITUTION AND ITS UTILIZATION AND/OR OCCUPANCY INDIVIDUALLY. INPATIENT BED PROJECTS MUST INCLUDE THE FOLLOWING DATA: ADMISSIONS OR DISCHARGES, PATIENT DAYS, AND OCCUPANCY. OTHER PROJECTS SHOULD USE THE MOST APPROPRIATE MEASURES, E.G., CASES, PROCEDURES, VISITS, ADMISSIONS, ETC.**

Table Seven on the following page provides HSDA Registry data for the past three years of utilization of all MRI units in the project's primary service area. The applicant has reformatted the data and added calculations for totals and averages. MRI availability for mobile units is stated as a percentage of the days a week it is available.

As a group, the MRI providers in the PSA operated their fixed and mobile units at an overall annual average of 2,841 procedures per unit during 2012. The Jackson Clinic's one MRI reported performing 2,271 procedures during 2012.

Table Seven: MRI Locations and Utilization in Jackson Clinic MRI's Primary Service Area, 2010-2012

County	Provider	Year	No. of	Fixed or Mobile	Mobile Days Used	Effective No. of Units Available	Procedures	Procedures Per Unit	Gross Charges	Gross Charge Per Procedure
Carroll	Baptist Memorial Hospital - Huntingdon	2010	1	Fixed	0	1.00	1,234	1,234	\$2,327,461.00	\$1,886
Carroll	Baptist Memorial Hospital - Huntingdon	2011	1	Fixed	0	1.00	1,119	1,119	\$2,352,481.00	\$2,102
Carroll	Baptist Memorial Hospital - Huntingdon	2012	1	Fixed	0	1.00	986	986	\$2,322,890.00	\$2,356
Carroll	McKenzie Medical Center	2010	1	Fixed	0	1.00	2,134	2,134	\$0.00	\$0
Carroll	McKenzie Medical Center	2011	1	Fixed	0	1.00	1,840	1,840	\$0.00	\$0
Carroll	McKenzie Medical Center	2012	1	Fixed	0	1.00	2,279	2,279	\$3,311,455.00	\$1,453
Carroll	McKenzie Regional Hospital	2010	1	Mobile (Part)	1 day/week	0.20	98	490	\$441,232.46	\$4,502
Carroll	McKenzie Regional Hospital	2011	1	Mobile (Part)	1 day/week	0.20	87	435	\$430,865.00	\$4,952
Carroll	McKenzie Regional Hospital	2012	1	Mobile (Part)	1 day/week	0.20	79	395	\$430,437.53	\$5,449
Chester	Frix Jennings Clinic, PC	2010	1	Mobile (Part)	4 half days/week	0.40	451	1,128	\$519,780.00	\$1,153
Chester	Frix Jennings Clinic, PC	2011	1	Mobile (Part)	4 half days/week	0.40	667	1,668	\$773,230.00	\$1,159
Chester	Frix Jennings Clinic, PC	2012	1	Mobile (Part)	4 half days/week	0.40	637	1,593	\$762,810.00	\$1,198
Henderson	Henderson County Community Hospital	2010	1	Mobile (Part)	3 days/week	0.60	465	775	\$1,856,839.00	\$3,993
Henderson	Henderson County Community Hospital	2011	1	Mobile (Part)	3 days/week	0.60	474	790	\$1,987,358.00	\$4,193
Henderson	Henderson County Community Hospital	2012	1	Mobile (Part)	3 days/week	0.60	504	840	\$2,277,682.00	\$4,519
Madison	Jackson Clinic, P.A., The	2010	1	Fixed	0	1.00	2,295	2,295	\$2,690,205.00	\$1,172
Madison	Jackson Clinic, P.A., The	2011	1	Fixed	0	1.00	2,461	2,461	\$2,819,410.00	\$1,146
Madison	Jackson Clinic, P.A., The	2012	1	Fixed	0	1.00	2,271	2,271	\$2,540,759.00	\$1,119
Madison	Jackson Madison County General Hospital	2010	2	Fixed	0	2.00	9,218	4,609	\$18,304,782.00	\$1,986
Madison	Jackson Madison County General Hospital	2011	2	Fixed	0	2.00	9,557	4,829	\$18,854,037.00	\$1,952
Madison	Jackson Madison County General Hospital	2012	2	Fixed	0	2.00	9,877	4,939	\$20,433,744.00	\$2,069
Madison	Regional Hospital of Jackson	2010	1	Fixed	0	1.00	1,523	1,523	\$5,562,360.00	\$3,652
Madison	Regional Hospital of Jackson	2011	1	Fixed	0	1.00	1,805	1,805	\$7,080,453.00	\$3,923
Madison	Regional Hospital of Jackson	2012	1	Fixed	0	1.00	2,203	2,203	\$8,710,441.00	\$3,954
Madison	Sports Orthopedics and Spine	2010	1	Fixed	0	1.00	2,839	2,839	\$3,079,098.00	\$1,085
Madison	Sports Orthopedics and Spine	2011	1	Fixed	0	1.00	4,688	4,688	\$5,087,803.00	\$1,085
Madison	Sports Orthopedics and Spine	2012	1	Fixed	0	1.00	6,781	6,781	\$7,366,782.00	\$1,086
Madison	West Tennessee Bone & Joint Clinic	2010	1	Fixed	0	1.00	3,088	3,088	\$4,000,502.00	\$1,295
Madison	West Tennessee Bone & Joint Clinic	2011	1	Fixed	0	1.00	3,248	3,248	\$4,209,533.00	\$1,296
Madison	West Tennessee Bone & Joint Clinic	2012	1	Fixed	0	1.00	2,649	2,649	\$3,405,541.00	\$1,286
Madison	West Tennessee Imaging Center	2010	3	Fixed	0	3.00	6,581	2,194	\$14,171,279.00	\$2,153
Madison	West Tennessee Imaging Center	2011	3	Fixed	0	3.00	6,624	2,208	\$14,225,985.00	\$2,148
Madison	West Tennessee Imaging Center	2012	3	Fixed	0	3.00	7,027	2,342	\$16,456,838.00	\$2,342
Madison	West Tennessee Neurosciences	2010	1	Fixed	0	1.00	3,006	3,006	\$6,173,998.00	\$2,054
Madison	West Tennessee Neurosciences	2011	1	Fixed	0	1.00	2,772	2,772	\$5,776,165.00	\$2,084
Madison	West Tennessee Neurosciences	2012	1	Fixed	0	1.00	2,706	2,706	\$5,593,318.00	\$2,067
McNairy	McNairy Regional Hospital	2010	1	Mobile (Part)	2 days/week	0.40	594	1,485	\$2,762,158.00	\$4,650
McNairy	McNairy Regional Hospital	2011	1	Mobile (Part)	2 days/week	0.40	554	1,385	\$2,743,362.00	\$4,952
McNairy	McNairy Regional Hospital	2012	1	Mobile (Part)	2 days/week	0.40	642	1,605	\$3,453,706.00	\$5,380
						2010	33,526	2,465	\$61,889,694.46	\$1,846
						2011	35,996	2,647	\$66,340,682.00	\$1,843
						2012	38,641	2,841	\$77,056,403.53	\$1,994

Medical Equipment Registry - 9/12/2013 - individual provider data

Applicant has modified format and calculated area and annual totals &amp; averages.

**C(1).6. PROVIDE APPLICABLE UTILIZATION AND/OR OCCUPANCY STATISTICS FOR YOUR INSTITUTION FOR EACH OF THE PAST THREE (3) YEARS AND THE PROJECTED ANNUAL UTILIZATION FOR EACH OF THE TWO (2) YEARS FOLLOWING COMPLETION OF THE PROJECT. ADDITIONALLY, PROVIDE THE DETAILS REGARDING THE METHODOLOGY USED TO PROJECT UTILIZATION. THE METHODOLOGY MUST INCLUDE DETAILED CALCULATIONS OR DOCUMENTATION FROM REFERRAL SOURCES, AND IDENTIFICATION OF ALL ASSUMPTIONS.**

Table Eight below shows the Jackson Clinic's MRI utilization for the past three years 2010-2012, and projects utilization through 2015, the project's second calendar year of operation at the proposed new location. The projection through Year Two is for total patients and procedures to be the same as in 2012. This is consistent with Clinic experience combined with the expectation of additional insurance coverage for some area residents under the new Affordable Care Act.

<b>Table Eight: Jackson Clinic MRI Service Historic and Projected Procedures 2010-2016</b>							
	<b>Actual 2010</b>	<b>Actual 2011</b>	<b>Actual 2012</b>	<b>Annualized 2013</b>	<b>Projected 2014</b>	<b>Projected 2015</b>	<b>Projected 2016</b>
Inpatient	0	0	0	0	0	0	0
Outpatient	2,295	2,461	2,271	2,067	2,067	2,067	2,067
Total	2,295	2,461	2,271	2,067	2,067	2,067	2,067

*Source: Clinic records. 2013 Annualized on Jan-August procedures.*

**C(II)1. PROVIDE THE COST OF THE PROJECT BY COMPLETING THE PROJECT COSTS CHART ON THE FOLLOWING PAGE. JUSTIFY THE COST OF THE PROJECT.**

- ALL PROJECTS SHOULD HAVE A PROJECT COST OF AT LEAST \$3,000 ON LINE F (MINIMUM CON FILING FEE). CON FILING FEE SHOULD BE CALCULATED ON LINE D.

- THE COST OF ANY LEASE (BUILDING, LAND, AND/OR EQUIPMENT) SHOULD BE BASED ON FAIR MARKET VALUE OR THE TOTAL AMOUNT OF THE LEASE PAYMENTS OVER THE INITIAL TERM OF THE LEASE, WHICHEVER IS GREATER. NOTE: THIS APPLIES TO ALL EQUIPMENT LEASES INCLUDING BY PROCEDURE OR "PER CLICK" ARRANGEMENTS. THE METHODOLOGY USED TO DETERMINE THE TOTAL LEASE COST FOR A "PER CLICK" ARRANGEMENT MUST INCLUDE, AT A MINIMUM, THE PROJECTED PROCEDURES, THE "PER CLICK" RATE AND THE TERM OF THE LEASE.

- THE COST FOR FIXED AND MOVEABLE EQUIPMENT INCLUDES, BUT IS NOT NECESSARILY LIMITED TO, MAINTENANCE AGREEMENTS COVERING THE EXPECTED USEFUL LIFE OF THE EQUIPMENT; FEDERAL, STATE, AND LOCAL TAXES AND OTHER GOVERNMENT ASSESSMENTS; AND INSTALLATION CHARGES, EXCLUDING CAPITAL EXPENDITURES FOR PHYSICAL PLANT RENOVATION OR IN-WALL SHIELDING, WHICH SHOULD BE INCLUDED UNDER CONSTRUCTION COSTS OR INCORPORATED IN A FACILITY LEASE.

- FOR PROJECTS THAT INCLUDE NEW CONSTRUCTION, MODIFICATION, AND/OR RENOVATION; DOCUMENTATION MUST BE PROVIDED FROM A CONTRACTOR AND/OR ARCHITECT THAT SUPPORT THE ESTIMATED CONSTRUCTION COSTS.

The architect's letter supporting the construction cost estimate is provided in Attachment C, Economic Feasibility--1.

On the Project Costs Chart, following this response:

Line A.1, A&E fees, were estimated by the project contractor.

Line A.2, legal, administrative, and consultant fees, were estimated by the Jackson Clinic.

Lines A.4, site preparation; A.5, construction cost; and Line A.6, contingency, were estimated by the contractor.

Line A.7 is the cost of acquiring the MRI, increased to allow for sales tax in incidental expenses that might arise. The vendor's quotation for this GE equipment is in Attachment B.II.E.3.

Line A.9 includes such costs as miscellaneous minor equipment and furnishings, miscellaneous fees and overhead, and telecommunications and information system costs. They were estimated by the Jackson Clinic.

Line B.1 is the incremental lease outlay during the first term of years (4 years; \$21 PSF). There is no other way to establish fair market value of the addition.

## PROJECT COSTS CHART--RELOCATION OF JACKSON CLINIC MRI AND CT SERVICE

OCTOBER 28

2:24pm

## A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees	\$ 45,000
2. Legal, Administrative, Consultant Fees (Excl CON Filing)	25,000
3. Acquisition of Site	0
4. Preparation of Site	20,000
5. Construction Cost*	602,500
6. Contingency Fund	50,000
7. Fixed Equipment (Not included in Construction Contract)	950,000
8. Moveable Equipment (List all equipment over \$50,000)	0
9. Other (Specify) telecomm, IS, misc. bldg fees	15,000
furnishings and minor equipment	15,000

## B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land)	252,000
2. Building only	0
3. Land only	0
4. Equipment (Specify)	0
5. Other (Specify)	0

## C. Financing Costs and Fees:

1. Interim Financing	0
2. Underwriting Costs	0
3. Reserve for One Year's Debt Service	0
4. Other (Specify)	0

D. Estimated Project Cost  
(A+B+C)

1,974,500

## E. CON Filing Fee

4,443

## F. Total Estimated Project Cost (D+E)

TOTAL \$ 1,978,943

Actual Capital Cost  
Section B FMV1,726,943  
252,000

**C(II).2. IDENTIFY THE FUNDING SOURCES FOR THIS PROJECT.**

**a. PLEASE CHECK THE APPLICABLE ITEM(S) BELOW AND BRIEFLY SUMMARIZE HOW THE PROJECT WILL BE FINANCED. (DOCUMENTATION FOR THE TYPE OF FUNDING MUST BE INSERTED AT THE END OF THE APPLICATION, IN THE CORRECT ALPHANUMERIC ORDER AND IDENTIFIED AS ATTACHMENT C, ECONOMIC FEASIBILITY--2).**

       **A. Commercial Loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**

       **B. Tax-Exempt Bonds--copy of preliminary resolution or a letter from the issuing authority, stating favorable contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;**

       **C. General Obligation Bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting;**

       **D. Grants--Notification of Intent form for grant application or notice of grant award;**

  x   **E. Cash Reserves--Appropriate documentation from Chief Financial Officer; or**

       **F. Other--Identify and document funding from all sources.**

The project will be funded/financed by the Jackson Clinic using cash reserves. Documentation of financing is provided by a letter from the Clinic CFO, in Attachment C, Economic Feasibility--2, and by the Clinic's audited financial statements in Attachment C, Economic Feasibility--10.



**C(II).3. DISCUSS AND DOCUMENT THE REASONABLENESS OF THE PROPOSED PROJECT COSTS. IF APPLICABLE, COMPARE THE COST PER SQUARE FOOT OF CONSTRUCTION TO SIMILAR PROJECTS RECENTLY APPROVED BY THE HSDA.**

The justification of costs was provided in an earlier section, which is repeated here:

<b>Table Two: Construction Costs of This Project</b>			
	<b>Renovated Construction</b>	<b>New Construction</b>	<b>Total Project</b>
Square Feet	50 SF	3,000 SF	3,050 SF
Construction Cost	\$2,500	\$600,000	\$602,500
Constr. Cost PSF	\$50 PSF	\$200 PSF	\$197.54 PSF

The HSDA compiles data on construction costs for several types of projects. The category closest to this Imaging addition would be Outpatient Diagnostic Centers. The HSDA had insufficient sample size to provide reliable average cost data on those projects from 2009-2011 and from 2010-2012, their most recent dates of publishing such data.

However, this project costs compare favorably to two groups of projects. One is hospital construction projects approved by the HSDA in 2009-2011, which had the following construction costs per SF:

<b>Table Three: Hospital Construction Cost PSF Years: 2009 – 2011</b>			
	<b>Renovated Construction</b>	<b>New Construction</b>	<b>Total Construction</b>
1 <sup>st</sup> Quartile	\$125.84/sq ft	\$235.86/sq ft	\$167.99/sq ft
Median	\$177.60/sq ft	\$274.63/sq ft	\$249.32/sq ft
3 <sup>rd</sup> Quartile	\$125.84/sq ft	\$324.00/sq ft	\$301.74/sq ft

*Source: HSDA, from CON approved applications during 2009-2011.*

The Jackson Clinic's construction cost for this Imaging Suite is approximately \$198 PSF overall, for 3,050 SF of new and renovated areas. That is below the median cost of the referenced hospital cost averages. The Imaging Suite's costs for new and renovated space are also below the medians in the HSDA table.

A second point of comparison is a group of Outpatient Diagnostic Center projects granted CON approval in 2009-2011. The \$198 construction cost of the Clinic Imaging Suite is within their range of costs, as shown below.

<b>Table Four: ODC Project Construction Costs, 2009-2011 Approvals</b>				
<b>CON Number</b>	<b>Project Name</b>	<b>Total SF</b>	<b>Construction Cost</b>	<b>Cost PSF</b>
CN0908-044	ImagDent of Memphis	1,746	\$90,000,000	\$51.55
CN1010-046	Murfreesboro Diag.Imaging	9,587	\$1,171,090	\$122.15
CN1010-047	Cleveland Imaging	911	\$245,886	\$269.91
CN1103-008	E. TN Community Open MRI	795	\$127,500	\$160.38
CN1110-039	St. Thomas OP Imaging	7,737	\$1,235,500	\$159.69

**C(II).4. COMPLETE HISTORICAL AND PROJECTED DATA CHARTS ON THE FOLLOWING TWO PAGES--DO NOT MODIFY THE CHARTS PROVIDED OR SUBMIT CHART SUBSTITUTIONS. HISTORICAL DATA CHART REPRESENTS REVENUE AND EXPENSE INFORMATION FOR THE LAST THREE (3) YEARS FOR WHICH COMPLETE DATA IS AVAILABLE FOR THE INSTITUTION. PROJECTED DATA CHART REQUESTS INFORMATION FOR THE TWO YEARS FOLLOWING COMPLETION OF THIS PROPOSAL. PROJECTED DATA CHART SHOULD INCLUDE REVENUE AND EXPENSE PROJECTIONS FOR THE PROPOSAL ONLY (I.E., IF THE APPLICATION IS FOR ADDITIONAL BEDS, INCLUDE ANTICIPATED REVENUE FROM THE PROPOSED BEDS ONLY, NOT FROM ALL BEDS IN THE FACILITY).**

See the following pages for these charts, with notes where applicable.

## HISTORICAL DATA CHART--THE JACKSON CLINIC

Give information for the last three (3) years for which complete data are available for the facility or agency.  
The fiscal year begins in JANUARY.

	Year 2010	Year 2011	Year 2012
A. Utilization Data (Patient Encounters)	411,544	416,503	434,687
B. Revenue from Services to Patients			
1. Inpatient Services	\$ 16,598,866	19,476,596	22,288,238
2. Outpatient Services	106,944,549	106,386,690	106,666,008
3. Emergency Services	136,757	147,862	144,494
4. Other Operating Revenue (Specify)	630,082	3,669,056	6,950,044
	See notes		
Gross Operating Revenue	\$ 124,310,254	\$ 129,680,204	\$ 136,048,784
C. Deductions for Operating Revenue			
1. Contractual Adjustments	\$ 32,096,483	34,076,101	37,068,380
2. Provision for Charity Care	173,580	178,965	156,582
3. Provisions for Bad Debt	3,281,355	4,051,636	2,612,522
Total Deductions	\$ 35,551,418	\$ 38,306,701	\$ 39,837,484
NET OPERATING REVENUE	\$ 88,758,836	\$ 91,373,503	\$ 96,211,300
D. Operating Expenses			
1. Salaries and Wages	\$ 23,808,332	24,835,771	25,644,489
2. Physicians Salaries and Wages	39,816,735	40,693,773	46,192,171
3. Supplies	15,826,194	16,716,349	15,306,960
4. Taxes	592,252	693,437	598,228
5. Depreciation	2,408,687	3,003,111	1,983,827
6. Rent	3,713,993	3,642,778	3,654,448
7. Interest, other than Capital	0	0	0
8. Management Fees	0	0	0
a. Fees to Affiliates	0	0	0
b. Fees to Non-Affiliates	0	0	0
9. Other Expenses (Specify)	See notes		
Total Operating Expenses	\$ 90,141,783	\$ 93,381,593	\$ 97,398,425
E. Other Revenue (Expenses) -- Net (Specify)	\$ (1,530,189)	\$ (466,204)	\$ (809,855)
NET OPERATING INCOME (LOSS)	\$ 147,242	\$ (1,541,886)	\$ (377,270)
F. Capital Expenditures			
1. Retirement of Principal	\$ 239,588	376,393	1,381,951
2. Interest	58,909	72,015	51,281
Total Capital Expenditures	\$ 298,497	\$ 448,408	\$ 1,433,232
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES	\$ (151,255)	\$ (1,990,295)	\$ (1,810,502)

**HISTORICAL DATA CHART--THE JACKSON CLINIC****D9: Other Expenses****2010****2011****2012**

Automobile Expense		12985.46	13152.44	13810.01
Information Sys Support		631765.66	565279.27	734185.93
Legal & Accounting		78015.13	111188.97	63333.43
Collection Expense		445095.91	394165.04	327192.54
Banking Service		119230.15	120684.63	137979.09
Purchased Services		57290	72958.77	321914.43
Recruitment -Physician		52312.99	19437.82	113704.82
Recruitment-Non-Physician		1726.5	3859	3808.88
Meals & Entertainment		34664.5	27084.8	31505.98
Refreshments		21051.3	22924.24	20990.68
Employee Appreciation		72629.79	33990.81	38425.12
Uniform Expense		31300.52	29162.72	35512.2
Insurance-Liability & Casualty		98922.26	82418	86781
Professional Liability Insuran		1153293	1099483	1158825.5
Workers' Compensation Insuranc		129864.77	133570	130785
Telecommunications		435203.27	500332.45	226400.15
Repair & Maint - Telecomm		53285.33	27040.63	34093.09
Public Relations & Marketing		267345.81	281290.66	296867.92
Express Delivery		9632.8	5394.76	11102.4
Postage		162893.96	140113.5	141865.31
Electronic Claims Services		76034.27	68693.47	57746.79
Books & Publications		28035.55	30676.52	30400.92
Miscellaneous		3011.22	13472	1071
Total		3975590.15	3796373.5	4018302.19

**E: Other Revenue (Expenses) - Net (Specify)**

Interest Income		-23092.85	-44386.94	-19465.03
Pharmacy Income (Subsidiary)		-876624.36	-102326.57	-758493.47
ASC Income (Subsidiary)		-603830.49	0	0
Medical Building Income		-1269	-1282	-1568
Miscellaneous Income / Expense		-25372.38	-318208.65	-30328.08
Total		-1530189.08	-466204.16	-809854.58

### HISTORIC DATA CHART—JACKSON CLINIC MRI SERVICE ONLY

Give information for the last three (3) years for which complete data are available for the facility or agency.  
The fiscal year begins in JANUARY.

	Year 2010	Year 2011	Year 2012
A. Utilization Data			
MRI patients	2,066	2,215	2,044
MRI procedures	2,295	2,461	2,271
B. Revenue from Services to Patients			
1. Inpatient Services	\$		
2. Outpatient Services	2,493,907	2,572,290	2,551,851
3. Emergency Services			
4. Other Operating Revenue (Specify)			
<b>Gross Operating Revenue</b>	\$ 2,493,907	\$ 2,572,290	\$ 2,551,851
C. Deductions for Operating Revenue			
1. Contractual Adjustments	\$ 1,203,399	1,253,438	1,345,844
2. Provision for Charity Care	1,439	1,375	743
3. Provisions for Bad Debt	47,087	70,570	44,834
<b>Total Deductions</b>	\$ 1,251,925	\$ 1,325,383	\$ 1,391,421
<b>NET OPERATING REVENUE</b>	\$ 1,241,982	\$ 1,246,907	\$ 1,160,431
D. Operating Expenses			
1. Salaries and Wages	\$ 245,665	246,293	257,682
2. Physicians Salaries and Wages	140,680	140,597	138,270
3. Supplies	204,920	206,365	195,880
4. Taxes	0	0	0
5. Depreciation	101,722	101,606	51,862
6. Rent	12,669	11,427	12,151
7. Interest, other than Capital	0	0	0
8. Management Fees	0	0	0
a. Fees to Affiliates			
b. Fees to Non-Affiliates			
9. Other Expenses (See notes)	2,018	5,598	1,082
<b>Total Operating Expenses</b>	\$ 707,673	711,885	656,928
<b>NET OPERATING INCOME (LOSS)</b>	\$ 534,309	\$ 535,022	\$ 503,503
F. Capital Expenditures			
1. Retirement of Principal	\$ 0	0	0
2. Interest	0	0	0
<b>Total Capital Expenditures</b>	\$ 0	0	0
<b>NET OPERATING INCOME (LOSS)</b>			
<b>LESS CAPITAL EXPENDITURES</b>	\$ 534,309	\$ 535,022	\$ 503,503

**HISTORICAL DATA CHART--MRI****D9, Other Expenses:**

	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
Information Sys Support	\$ <u>74</u>	\$ <u>0</u>	\$ <u>0</u>
Refreshments	\$ <u>38</u>	\$ <u>1</u>	\$ <u>0</u>
Employee Appreciation	\$ <u>200</u>	\$ <u>0</u>	\$ <u>0</u>
Uniform Expense	\$ <u>320</u>	\$ <u>320</u>	\$ <u>320</u>
Telecommunications	\$ <u>1,386</u>	\$ <u>1,677</u>	\$ <u>762</u>
Miscellaneous Tax & License	\$ <u>0</u>	\$ <u>3,600</u>	\$ <u>0</u>
Total	\$ <u>2,018</u>	\$ <u>5,598</u>	\$ <u>1,082</u>

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**PROJECTED DATA CHART—JACKSON CLINIC MRI SERVICE ONLY**

Give information for the two (2) years following the completion of this proposal.  
The fiscal year begins in January.

		Year 2015	Year 2016
		1860	1860
A.	Utilization Data		
	MRI Patients		
	MRI Procedures	2,067	2,067
B.	Revenue from Services to Patients		
1.	Inpatient Services	\$	\$
2.	Outpatient Services	2,305,365	2,305,365
3.	Emergency Services		
4.	Other Operating Revenue (Specify)		
	<b>Gross Operating Revenue</b>	\$ 2,305,365	\$ 2,305,365
C.	Deductions for Operating Revenue		
1.	Contractual Adjustments	\$ 1,215,848	\$ 1,215,848
2.	Provision for Charity Care	671	671
3.	Provisions for Bad Debt	40,503	40,503
	<b>Total Deductions</b>	\$ 1,257,022	\$ 1,257,022
	<b>NET OPERATING REVENUE</b>	\$ 1,048,343	\$ 1,048,343
D.	Operating Expenses		
1.	Salaries and Wages	\$ 232,792	\$ 232,792
2.	Physicians Salaries and Wages	124,914	124,914
3.	Supplies	176,960	176,960
4.	Taxes	0	0
5.	Depreciation	135,714	135,714
6.	Rent	12,151	12,151
7.	Interest, other than Capital	0	0
8.	Management Fees		
	a. Fees to Affiliates	0	0
	b. Fees to Non-Affiliates	0	0
9.	Other Expenses (See notes)	1,820	1,820
	<b>Total Operating Expenses</b>	\$ 0	\$ 0
E.	Other Revenue (Expenses) -- Net (Specify)	\$ 0	\$ 0
	<b>NET OPERATING INCOME (LOSS)</b>	\$ 363,992	\$ 363,992
F.	Capital Expenditures		
1.	Retirement of Principal	\$ 0	\$ 0
2.	Interest	0	0
	<b>Total Capital Expenditures</b>	\$ 0	\$ 0
	<b>NET OPERATING INCOME (LOSS)</b>		
	<b>LESS CAPITAL EXPENDITURES</b>	\$ 363,992	\$ 363,992

**PROJECTED DATA CHART, MRI****D9, Other Expenses**

	<b><u>2015</u></b>	<b><u>2016</u></b>
Information Sys Support	\$ <u>0</u>	<u>0</u>
Refreshments	\$ <u>0</u>	<u>0</u>
Employee Appreciation	\$ <u>0</u>	<u>0</u>
Uniform Expense	\$ <u>320</u>	<u>320</u>
Telecommunications	\$ <u>1,500</u>	<u>1,500</u>
Miscellaneous Tax & License	\$ <u>0</u>	<u>0</u>
Total	\$ <u>1,820</u>	<u>1,820</u>



**C(II).5. PLEASE IDENTIFY THE PROJECT'S AVERAGE GROSS CHARGE, AVERAGE DEDUCTION FROM OPERATING REVENUE, AND AVERAGE NET CHARGE.**

<b>Table Nine: Average Charges, Deductions, and Net Charges Jackson Clinic MRI Service</b>		
	<b>CY2015</b>	<b>CY2016</b>
Procedures	2,067	2,067
Patients	1,860	1,860
Average Gross Charge Per Procedure	\$1,115	\$1,115
Average Gross Charge Per Patient	\$1,239	\$1,239
Average Deduction Per Procedure	\$608	\$608
Average Deduction Per Patient	\$676	\$676
Average Net Charge (Net Operating Revenue) Per Procedure	\$507	\$507
Average Net Charge (Net Operating Revenue) Per Patient	\$564	\$564
Average Net Operating Income Per Procedure After Capital Expenditures	\$176	\$176
Average Net Operating Income Per Patient After Capital Expenditures	\$196	\$196

*Source: Projected Data Chart*

**C(II).6.A. PLEASE PROVIDE THE CURRENT AND PROPOSED CHARGE SCHEDULES FOR THE PROPOSAL. DISCUSS ANY ADJUSTMENT TO CURRENT CHARGES THAT WILL RESULT FROM THE IMPLEMENTATION OF THE PROPOSAL. ADDITIONALLY, DESCRIBE THE ANTICIPATED REVENUE FROM THE PROPOSED PROJECT AND THE IMPACT ON EXISTING PATIENT CHARGES.**

The charges for MRI service have not been increased for several years, and the Clinic does not see any reason to increase them in the near future.

Current and proposed charges for the most frequently performed MRI procedures are provided in the Table Ten in section C(II).6.B below.

**C(II).6.B. COMPARE THE PROPOSED CHARGES TO THOSE OF SIMILAR FACILITIES IN THE SERVICE AREA/ADJOINING SERVICE AREAS, OR TO PROPOSED CHARGES OF PROJECTS RECENTLY APPROVED BY THE HSDA. IF APPLICABLE, COMPARE THE PROJECTED CHARGES OF THE PROJECT TO THE CURRENT MEDICARE ALLOWABLE FEE SCHEDULE BY COMMON PROCEDURE TERMINOLOGY (CPT) CODE(S).**

Table Ten on the next page shows HSDA Registry data for gross charges at all other MRI services in the area.

The historical average gross charge for the Jackson Clinic MRI has been much less than the average gross charges for MRI'S at other locations in the primary service area.

The Clinic reported to the Registry a CY2012 MRI gross charge of \$1,119 per procedure, which was only 56% of the service area's average. That year the Clinic's MRI gross charge per procedure was lower than any of the seven providers in Madison County except one provider, whose charge was within \$33 of the Clinic's charge. It also was lower than at any provider in the service area outside of Madison County.

Following Table Ten is Table Eleven, which shows the current Medicare reimbursement and charge data for the most frequent MRI procedures performed by this unit.

Table Ten: MRI Gross Charges in Jackson Clinic MRI's Primary Service Area

County	Provider	Year	Procedures	Gross Charges	Gross Charge Per Procedure
Carroll	Baptist Memorial Hospital - Huntingdon	2010	1,234	\$2,327,461.00	\$1,886
Carroll	Baptist Memorial Hospital - Huntingdon	2011	1,119	\$2,352,481.00	\$2,102
Carroll	Baptist Memorial Hospital - Huntingdon	2012	986	\$2,322,890.00	\$2,356
Carroll	McKenzie Medical Center	2010	2,134	\$0.00	\$0
Carroll	McKenzie Medical Center	2011	1,840	\$0.00	\$0
Carroll	McKenzie Medical Center	2012	2,279	\$3,311,455.00	\$1,453
Carroll	McKenzie Regional Hospital	2010	98	\$441,232.46	\$4,502
Carroll	McKenzie Regional Hospital	2011	87	\$430,865.00	\$4,952
Carroll	McKenzie Regional Hospital	2012	79	\$430,437.53	\$5,449
Chester	Frix Jennings Clinic, PC	2010	451	\$519,780.00	\$1,153
Chester	Frix Jennings Clinic, PC	2011	667	\$773,230.00	\$1,159
Chester	Frix Jennings Clinic, PC	2012	637	\$762,810.00	\$1,198
Henderson	Henderson County Community Hospital	2010	465	\$1,856,839.00	\$3,993
Henderson	Henderson County Community Hospital	2011	474	\$1,987,358.00	\$4,193
Henderson	Henderson County Community Hospital	2012	504	\$2,277,682.00	\$4,519
Madison	Jackson Clinic, P.A., The	2010	2,295	\$2,690,205.00	\$1,172
Madison	Jackson Clinic, P.A., The	2011	2,461	\$2,819,410.00	\$1,146
Madison	Jackson Clinic, P.A., The	2012	2,271	\$2,540,759.00	\$1,119
Madison	Jackson Madison County General Hospital	2010	9,218	\$18,304,782.00	\$1,986
Madison	Jackson Madison County General Hospital	2011	9,657	\$18,854,037.00	\$1,952
Madison	Jackson Madison County General Hospital	2012	9,877	\$20,433,744.00	\$2,069
Madison	Regional Hospital of Jackson	2010	1,523	\$5,562,360.00	\$3,652
Madison	Regional Hospital of Jackson	2011	1,805	\$7,080,453.00	\$3,923
Madison	Regional Hospital of Jackson	2012	2,203	\$8,710,441.00	\$3,954
Madison	Sports Orthopedics and Spine	2010	2,839	\$3,079,098.00	\$1,085
Madison	Sports Orthopedics and Spine	2011	4,688	\$5,087,803.00	\$1,085
Madison	Sports Orthopedics and Spine	2012	6,781	\$7,366,782.00	\$1,086
Madison	West Tennessee Bone & Joint Clinic	2010	3,088	\$4,000,502.00	\$1,295
Madison	West Tennessee Bone & Joint Clinic	2011	3,248	\$4,209,533.00	\$1,296
Madison	West Tennessee Bone & Joint Clinic	2012	2,649	\$3,405,541.00	\$1,286
Madison	West Tennessee Imaging Center	2010	6,581	\$14,171,279.00	\$2,153
Madison	West Tennessee Imaging Center	2011	6,624	\$14,225,985.00	\$2,148
Madison	West Tennessee Imaging Center	2012	7,027	\$16,456,838.00	\$2,342
Madison	West Tennessee Neurosciences	2010	3,006	\$6,173,998.00	\$2,054
Madison	West Tennessee Neurosciences	2011	2,772	\$5,776,165.00	\$2,084
Madison	West Tennessee Neurosciences	2012	2,706	\$5,593,318.00	\$2,067
McNairy	McNairy Regional Hospital	2010	594	\$2,762,158.00	\$4,650
McNairy	McNairy Regional Hospital	2011	554	\$2,743,362.00	\$4,952
McNairy	McNairy Regional Hospital	2012	642	\$3,453,706.00	\$5,380
			33,526	\$61,889,694.46	\$1,846
			35,996	\$66,340,682.00	\$1,843
			38,641	\$77,066,403.53	\$1,994

Medical Equipment Registry - 9/12/2013

Applicant has modified format and calculated area and annual totals &amp; averages.

Table Eleven: Jackson Clinic MRI Service									
Charge Data for 20 Most Frequent Procedures--Sorted by CY2012 Volumes									
2011-2013 YTD September 12									
CPT	Mod	Descriptor	Mcare	Average Gross Charge			Utilization		
			Allowable	2011	2012	2013	2011	2012	9/12/13
72148		- MRI LUMBAR SPINE W O CONT	346.84	1595.00	1595.00	1595.00	261	347	210
73721		- MRI LOW EXT JOINT W O C	256.56	1595.00	1595.00	1595.00	347	342	207
72148	TC	- MRI LUMBAR SPINE W O CONT	278.21	1305.00	1305.00	1305.00	217	242	154
73221		- MRI UPPER JOINT W O CON	256.56	1595.00	1595.00	1595.00	187	196	126
72141		- MRI CERVICAL SPINAL CANAL	351.84	1595.00	1595.00	1595.00	143	123	85
73721	TC	- MRI LOW EXT JOINT W O CON	193.27	1305.00	1305.00	1305.00	101	113	65
70553		- MRI BRAIN W O THEN FOLL	519.87	2030.00	2030.00	2030.00	136	110	50
70551	TC	- MRI BRAIN W O CONTRAST	303.87	1305.00	1305.00	1305.00	90	103	84
73221	TC	- MRI UPPER JOINT W O CONTR	193.27	1305.00	1305.00	1305.00	79	91	54
70551		- MRI BRAIN W O CONTRAST	372.15	1595.00	1595.00	1595.00	94	87	71
70553	TC	- MRI BRAIN W O THEN FOLLOW	411.11	1595.00	1595.00	1595.00	90	74	49
72141	TC	- MRI CERVICAL SPINAL CANAL	277.90	1305.00	1305.00	1305.00	62	61	38
73718		- MRI LOW EXT OTHER THAN JO	366.20	1595.00	1595.00	1595.00	30	43	28
72146		- MRI THORACIC SPINE W O CO	352.45	1595.00	1595.00	1595.00	29	33	20
70544	TC	- MRA HEAD WITHOUT CONTRAST	303.87	1305.00	1305.00	1305.00	26	27	18
74183	TC	- MRI ABDOMEN W/O CONTRAST	430.36	1595.00	1595.00	1595.00	9	21	6
72146	TC	- MRI THORACIC SPINE W O CO	278.51	1305.00	1305.00	1305.00	26	20	7
73218		- MRI UPPER EXT OTR THN JNT	366.32	1595.00	1595.00	1595.00	10	20	9
70544		- MRA HEAD WITHOUT CONTRA	359.08	1595.00	1595.00	1595.00	26	17	12
73718	TC	- MRI LOW EXT OTHER THAN JO	303.87	1305.00	1305.00	1305.00	14	17	6
Source: Clinic Management									
TC = Technical Component									

**C(II).7. DISCUSS HOW PROJECTED UTILIZATION RATES WILL BE SUFFICIENT TO MAINTAIN COST-EFFECTIVENESS.**

The projected utilization for this MRI reflects the Clinic's annualized 2013 experience and is conservative. The service is presently cost-effective at that level of utilization. The replacement MRI will be purchased with cash. It will not increase debt service and will not reduce the cost-effectiveness of the MRI service.

**C(II).8. DISCUSS HOW FINANCIAL VIABILITY WILL BE ENSURED WITHIN TWO YEARS; AND DEMONSTRATE THE AVAILABILITY OF SUFFICIENT CASH FLOW UNTIL FINANCIAL VIABILITY IS MAINTAINED.**

The Historic and Projected Data Charts demonstrate that the service is currently at a positive cash flow, and will remain positive at the new site.

**C(II).9. DISCUSS THE PROJECT'S PARTICIPATION IN STATE AND FEDERAL REVENUE PROGRAMS, INCLUDING A DESCRIPTION OF THE EXTENT TO WHICH MEDICARE, TENNCARE/MEDICAID, AND MEDICALLY INDIGENT PATIENTS WILL BE SERVED BY THE PROJECT. IN ADDITION, REPORT THE ESTIMATED DOLLAR AMOUNT OF REVENUE AND PERCENTAGE OF TOTAL PROJECT REVENUE ANTICIPATED FROM EACH OF TENNCARE, MEDICARE, OR OTHER STATE AND FEDERAL SOURCES FOR THE PROPOSAL'S FIRST YEAR OF OPERATION.**

<b>Table Twelve: MRI Medicare and TennCare/Medicaid Revenues, Year One</b>		
	<b>Medicare</b>	<b>TennCare/Medicaid</b>
Gross Revenue	\$959,032	\$237,453
Percent of Gross Revenue	41.6%	10.3%

The Clinic MRI serves Medicare and TennCare/Medicaid in the amounts shown in Table Eleven above. It provides a limited amount of charity care. It works with its underinsured patients to establish mutually acceptable payment plans on patient balances. With the MRI priced at approximately half of other providers' MRI services, the Clinic feels that it does what it can to assure underinsured patients accessibility to this service.

**C(II).10. PROVIDE COPIES OF THE BALANCE SHEET AND INCOME STATEMENT FROM THE MOST RECENT REPORTING PERIOD OF THE INSTITUTION, AND THE MOST RECENT AUDITED FINANCIAL STATEMENTS WITH ACCOMPANYING NOTES, IF APPLICABLE. FOR NEW PROJECTS, PROVIDE FINANCIAL INFORMATION FOR THE CORPORATION, PARTNERSHIP, OR PRINCIPAL PARTIES INVOLVED WITH THE PROJECT. COPIES MUST BE INSERTED AT THE END OF THE APPLICATION, IN THE CORRECT ALPHANUMERIC ORDER AND LABELED AS ATTACHMENT C, ECONOMIC FEASIBILITY--10.**

These are provided as Attachment C, Economic Feasibility--10.

**C(II).11. DESCRIBE ALL ALTERNATIVES TO THIS PROJECT WHICH WERE CONSIDERED AND DISCUSS THE ADVANTAGES AND DISADVANTAGES OF EACH ALTERNATIVE, INCLUDING BUT NOT LIMITED TO:**

**A. A DISCUSSION REGARDING THE AVAILABILITY OF LESS COSTLY, MORE EFFECTIVE, AND/OR MORE EFFICIENT ALTERNATIVE METHODS OF PROVIDING THE BENEFITS INTENDED BY THE PROPOSAL. IF DEVELOPMENT OF SUCH ALTERNATIVES IS NOT PRACTICABLE, THE APPLICANT SHOULD JUSTIFY WHY NOT, INCLUDING REASONS AS TO WHY THEY WERE REJECTED.**

**B. THE APPLICANT SHOULD DOCUMENT THAT CONSIDERATION HAS BEEN GIVEN TO ALTERNATIVES TO NEW CONSTRUCTION, E.G., MODERNIZATION OR SHARING ARRANGEMENTS. IT SHOULD BE DOCUMENTED THAT SUPERIOR ALTERNATIVES HAVE BEEN IMPLEMENTED TO THE MAXIMUM EXTENT PRACTICABLE.**

The Clinic controls no alternative space in Jackson that could house the MRI. There is not room for the MRI within the existing buildings on the North Campus. Seeking leasable space at any location other than the North Campus would reduce the efficiency of its current integration into patient care activities, and would create needless patient inconvenience. Because MRI is an outpatient service, locating it in newly constructed ground floor space at the Clinic's own North Campus office makes it most easily accessible to patients, and makes perfect sense.

**C(III).1. LIST ALL EXISTING HEALTH CARE PROVIDERS (I.E., HOSPITALS, NURSING HOMES, HOME CARE ORGANIZATIONS, ETC.) MANAGED CARE ORGANIZATIONS, ALLIANCES, AND/OR NETWORKS WITH WHICH THE APPLICANT CURRENTLY HAS OR PLANS TO HAVE CONTRACTUAL AND/OR WORKING RELATIONSHIPS, E.G., TRANSFER AGREEMENTS, CONTRACTUAL AGREEMENTS FOR HEALTH SERVICES.**

Physicians of the Jackson Clinic work closely with Jackson-Madison General Hospital, for whom the Clinic established West Tennessee's Hospitalist program in 1997, fifteen years ago. The program remains under contract.

In 2011, the Clinic partnered with Cigna to establish a highly successful "Collaborative Accountable Care" ("CAC") program in West Tennessee, which includes service to 3,800 State employees in the region. Please see the Attachments (Miscellaneous) for slides showing savings to taxpayers from the CAC program.

**C(III).2. DESCRIBE THE POSITIVE AND/OR NEGATIVE EFFECTS OF THE PROPOSAL ON THE HEALTH CARE SYSTEM. PLEASE BE SURE TO DISCUSS ANY INSTANCES OF DUPLICATION OR COMPETITION ARISING FROM YOUR PROPOSAL, INCLUDING A DESCRIPTION OF THE EFFECT THE PROPOSAL WILL HAVE ON THE UTILIZATION RATES OF EXISTING PROVIDERS IN THE SERVICE AREA OF THE PROJECT.**

The project will have only a positive effect on the local health care system. That effect is to ensure continuance of MRI service to the service area, by West Tennessee's largest single provider of physician services. The relocation poses no issues of competition, and will not adversely impact any other MRI service in the service area.

**C(III).3. PROVIDE THE CURRENT AND/OR ANTICIPATED STAFFING PATTERN FOR ALL EMPLOYEES PROVIDING PATIENT CARE FOR THE PROJECT. THIS CAN BE REPORTED USING FTE'S FOR THESE POSITIONS. IN ADDITION, PLEASE COMPARE THE CLINICAL STAFF SALARIES IN THE PROPOSAL TO PREVAILING WAGE PATTERNS IN THE SERVICE AREA AS PUBLISHED BY THE TENNESSEE DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT AND/OR OTHER DOCUMENTED SOURCES.**

<b>Table Thirteen: Staffing Pattern of the Jackson Clinic MRI Service</b>				
<b>Position</b>	<b>Current FTE's</b>	<b>Year 1 FTE's</b>	<b>Year 2 FTE's</b>	<b>Hourly Salary Range</b>
Chief MRI Tech	1.0	1.0	1.0	\$25.76 - \$39.28
MRI Tech	1.2	1.2	1.2	\$19.17 - \$29.07
MRI Assistant	1.0	1.0	1.0	\$7.46 - \$11.06
Total	3.2	3.2	3.2	

The Department of Labor and Workforce Development website indicates the following Jackson area annual salary information for clinical employees similar to those of this project:

<b>Table Fourteen: TDOL Surveyed Average Hourly Salaries, Jackson MSA</b>				
<b>Position</b>	<b>Entry Level</b>	<b>Mean</b>	<b>Median</b>	<b>Experienced</b>
MRI Tech	\$21.30	\$25.75	\$25.65	\$27.95
Radiology Tech	\$16.35	\$20.30	\$19.90	\$22.25

*Source: TN Department of Labor, June 2013 Salary Survey, Jackson MSA*



**C(III).4. DISCUSS THE AVAILABILITY OF AND ACCESSIBILITY TO HUMAN RESOURCES REQUIRED BY THE PROPOSAL, INCLUDING ADEQUATE PROFESSIONAL STAFF, AS PER THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, AND/OR THE DIVISION OF MENTAL RETARDATION SERVICES LICENSING REQUIREMENTS.**

Not applicable. All staff are qualified and already employed.

**C(III).5. VERIFY THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSING CERTIFICATION AS REQUIRED BY THE STATE OF TENNESSEE FOR MEDICAL/CLINICAL STAFF. THESE INCLUDE, WITHOUT LIMITATION, REGULATIONS CONCERNING PHYSICIAN SUPERVISION, CREDENTIALING, ADMISSIONS PRIVILEGES, QUALITY ASSURANCE POLICIES AND PROGRAMS, UTILIZATION REVIEW POLICIES AND PROGRAMS, RECORD KEEPING, AND STAFF EDUCATION.**

The applicant so verifies.

**C(III).6. DISCUSS YOUR HEALTH CARE INSTITUTION'S PARTICIPATION IN THE TRAINING OF STUDENTS IN THE AREAS OF MEDICINE, NURSING, SOCIAL WORK, ETC. (I.E., INTERNSHIPS, RESIDENCIES, ETC.).**

**C(III).7(a). PLEASE VERIFY, AS APPLICABLE, THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSURE REQUIREMENTS OF THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, THE DIVISION OF MENTAL RETARDATION SERVICES, AND/OR ANY APPLICABLE MEDICARE REQUIREMENTS.**

The applicant so verifies.

**C(III).7(b). PROVIDE THE NAME OF THE ENTITY FROM WHICH THE APPLICANT HAS RECEIVED OR WILL RECEIVE LICENSURE, CERTIFICATION, AND/OR ACCREDITATION**

**LICENSURE:** Radioactive Materials License from  
TN Department of Conservation & Environment

**CERTIFICATION:** Medicare Certification from CMS  
TennCare Certification from TDH

**ACCREDITATION:** Intersocietal Commissions for the Accreditation  
of Magnetic Resonance Laboratories and  
of Computed Tomography Laboratories

**C(III).7(c). IF AN EXISTING INSTITUTION, PLEASE DESCRIBE THE CURRENT STANDING WITH ANY LICENSING, CERTIFYING, OR ACCREDITING AGENCY OR AGENCY.**

As described immediately above, the applicant is currently licensed by the Department of Conservation and Environment for radioactive materials handling, certified for participation in Medicare and Medicaid/TennCare, and accredited by the Intersocietal Commissions for the Accreditation of Magnetic Resonance Laboratories and of Computed Tomography Laboratories.

**C(III)7(d). FOR EXISTING LICENSED PROVIDERS, DOCUMENT THAT ALL DEFICIENCIES (IF ANY) CITED IN THE LAST LICENSURE CERTIFICATION AND INSPECTION HAVE BEEN ADDRESSED THROUGH AN APPROVED PLAN OF CORRECTION. PLEASE INCLUDE A COPY OF THE MOST RECENT LICENSURE/CERTIFICATION INSPECTION WITH AN APPROVED PLAN OF CORRECTION.**

They have been addressed. Copies of the most recent licensure inspection and plan of correction, and/or the most recent accreditation inspection, are provided in Attachment C, Orderly Development--7(C).

**C(III)8. DOCUMENT AND EXPLAIN ANY FINAL ORDERS OR JUDGMENTS ENTERED IN ANY STATE OR COUNTRY BY A LICENSING AGENCY OR COURT AGAINST PROFESSIONAL LICENSES HELD BY THE APPLICANT OR ANY ENTITIES OR PERSONS WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE APPLICANT. SUCH INFORMATION IS TO BE PROVIDED FOR LICENSES REGARDLESS OF WHETHER SUCH LICENSE IS CURRENTLY HELD.**

None.

**C(III)9. IDENTIFY AND EXPLAIN ANY FINAL CIVIL OR CRIMINAL JUDGMENTS FOR FRAUD OR THEFT AGAINST ANY PERSON OR ENTITY WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE PROJECT.**

None.

**C(III)10. IF THE PROPOSAL IS APPROVED, PLEASE DISCUSS WHETHER THE APPLICANT WILL PROVIDE THE THSDA AND/OR THE REVIEWING AGENCY INFORMATION CONCERNING THE NUMBER OF PATIENTS TREATED, THE NUMBER AND TYPE OF PROCEDURES PERFORMED, AND OTHER DATA AS REQUIRED.**

Yes. The applicant will provide the requested data consistent with Federal HIPAA requirements.

**PROOF OF PUBLICATION**

Attached.

**DEVELOPMENT SCHEDULE**

**1. PLEASE COMPLETE THE PROJECT COMPLETION FORECAST CHART ON THE NEXT PAGE. IF THE PROJECT WILL BE COMPLETED IN MULTIPLE PHASES, PLEASE IDENTIFY THE ANTICIPATED COMPLETION DATE FOR EACH PHASE.**

The Project Completion Forecast Chart is provided after this page.

**2. IF THE RESPONSE TO THE PRECEDING QUESTION INDICATES THAT THE APPLICANT DOES NOT ANTICIPATE COMPLETING THE PROJECT WITHIN THE PERIOD OF VALIDITY AS DEFINED IN THE PRECEDING PARAGRAPH, PLEASE STATE BELOW ANY REQUEST FOR AN EXTENDED SCHEDULE AND DOCUMENT THE "GOOD CAUSE" FOR SUCH AN EXTENSION.**

Not applicable. The applicant anticipates completing the project within the period of validity.

**PROJECT COMPLETION FORECAST CHART**

Enter the Agency projected Initial Decision Date, as published in Rule 68-11-1609(c):

1-22-14

Assuming the CON decision becomes the final Agency action on that date, indicate the number of days from the above agency decision date to each phase of the completion forecast.

PHASE	DAYS REQUIRED	Anticipated Date (MONTH /YEAR)
1. Architectural & engineering contract signed	9	2 / 14
2. Construction documents approved by TDH	na	na
3. Construction contract signed	99	5 / 15
4. Building permit secured	106	5 / 15
5. Site preparation completed	120	5 / 15
6. Building construction commenced	150	6 / 15
7. Construction 40% complete	210	8 / 15
8. Construction 80% complete	270	10 / 15
9. Construction 100% complete	330	12 / 15
10. * Issuance of license	na	na
11. *Initiation of service	360	1 / 15
12. Final architectural certification of payment	420	3 / 15
13. Final Project Report Form (HF0055)	480	5 / 15

**\* For projects that do NOT involve construction or renovation: please complete items 10-11 only.**

**Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.**

## INDEX OF ATTACHMENTS

A.4	Ownership--Legal Entity, Licensure, Accreditation
A.6	Site Control
B.II.E.1.	Fixed Major Medical Equipment--FDA Approval Documentation
B.II.E.3	Major Medical Equipment--Vendor Quotations / Draft Leases
B.III.	Plot Plan
B.IV.	Floor Plan
C, Need--3	Service Area Maps
C, Economic Feasibility--1	Documentation of Construction Cost Estimate
C, Economic Feasibility--2	Documentation of Availability of Funding
C, Economic Feasibility--10	Financial Statements
C, Orderly Development--7(C)	Licensing & Accreditation Inspections
Miscellaneous Information	Jackson Clinic -- Innovation and Leadership TennCare Enrollments by County Draft Notice of MME Replacement

### **B.III.--Plot Plan**



**V A U G H A N**  
A S S O C I A T E S  
A R C H I T E C T S  
I N C O R P O R A T E D

111 HURST GUARD DRIVE,  
JACKSON, TN 38305  
PHONE: 731/844-3070  
FAX: 731/844-3070  
VAUGHAN@VAUGHANARCHITECTS.COM

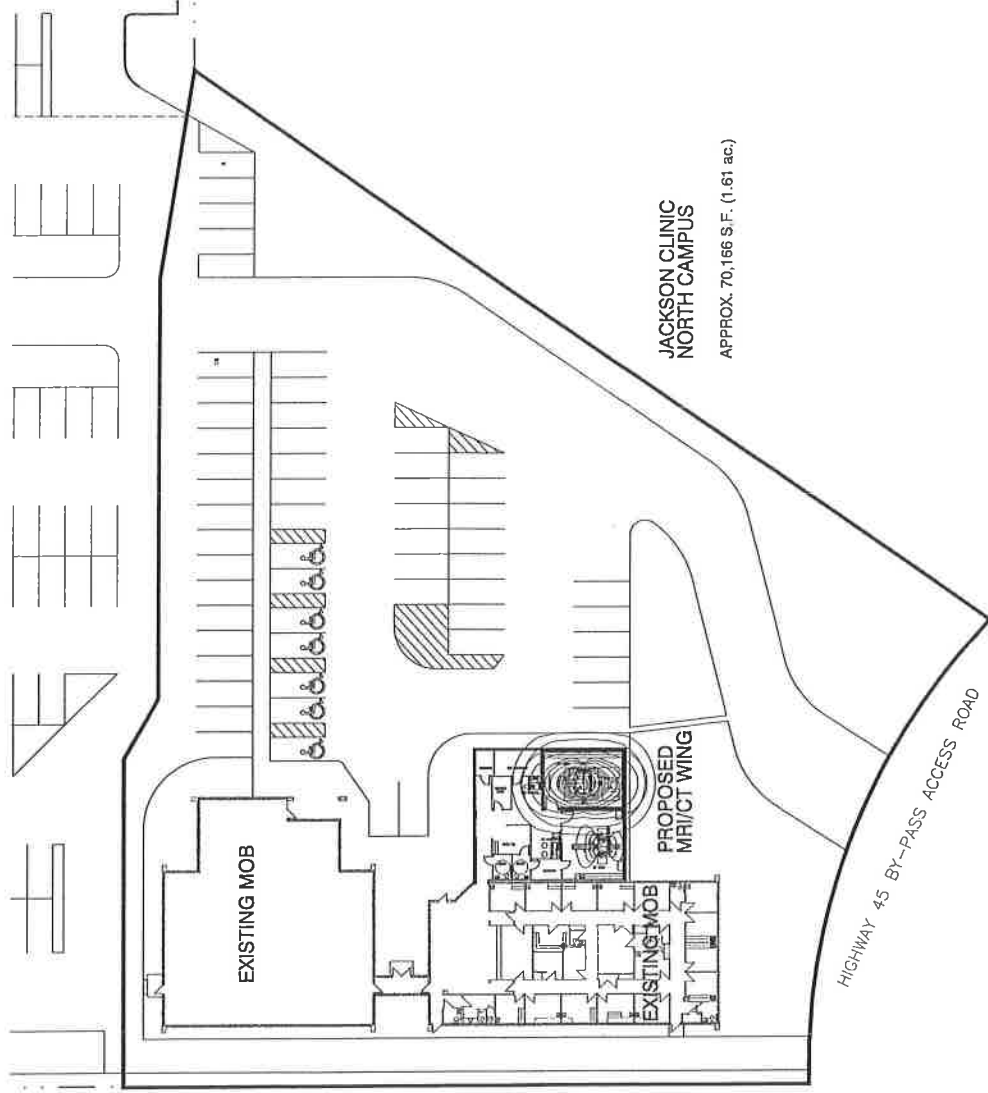


THIS IS A PRELIMINARY DESIGN. THE ARCHITECT ASSUMES NO RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN. THE USER OF THIS DOCUMENT SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE APPROPRIATE AGENCIES.

**THE JACKSON CLINIC**  
**ORTHOPEDICS**  
**MRI & CT SUITE ADDITION TO**  
**JACKSON, TN**  
2859 HWY 45 BYPASS

DATE	2/28/2018
PROJECT NO.	1315
DATE PREP FILE	
DESIGNED BY	
CHECKED BY	

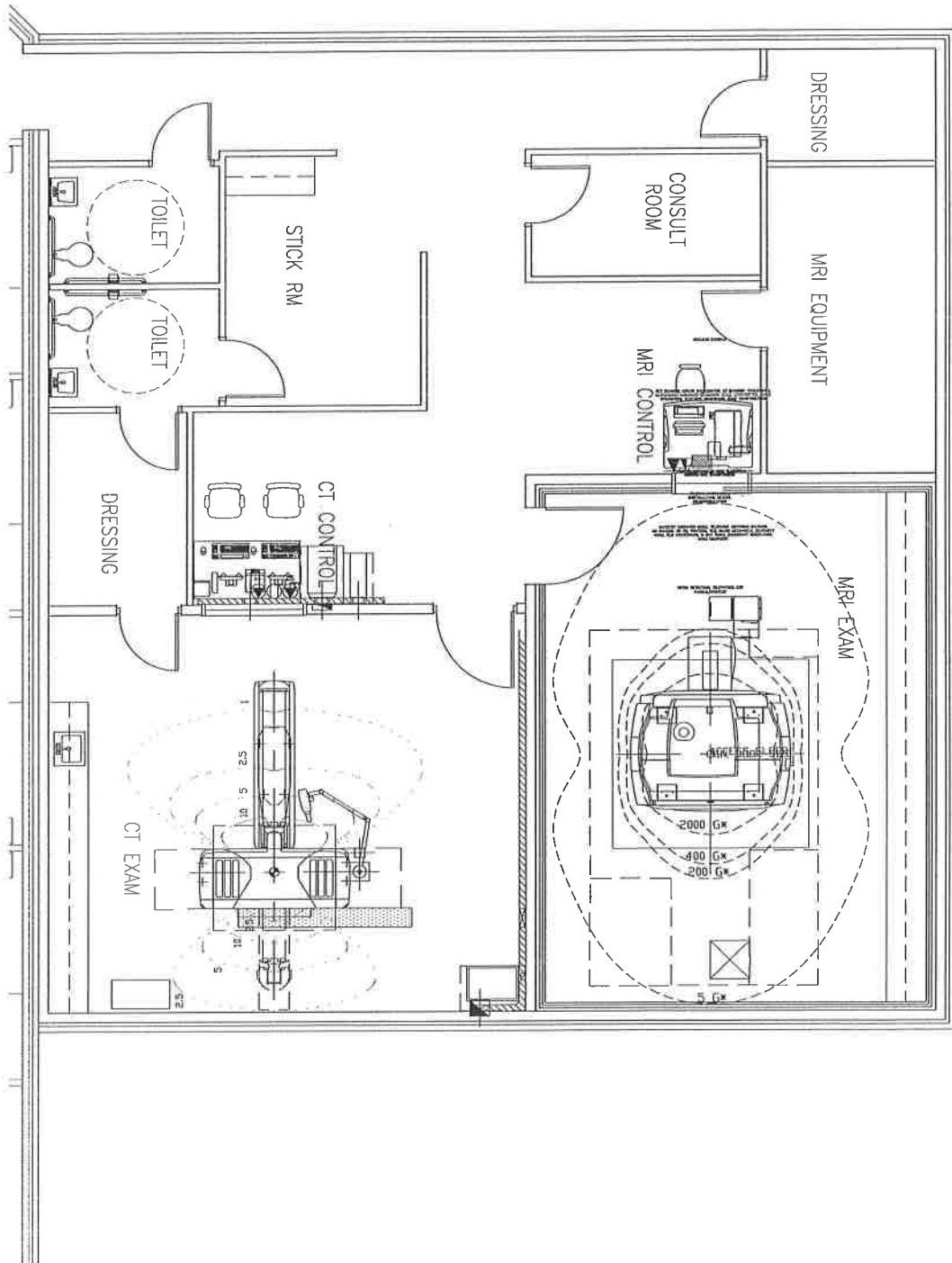
**C1.1**



1 SITE LAYOUT PLAN  
SCALE 1"=50'



## **B.IV.--Floor Plan**



1 PARTIAL FLOOR PLAN  
SCALE 1/8" = 1'-0"



**V**  
**VAUGHAN**  
ASSOCIATES  
ARCHITECTS  
INCORPORATED  
111 AIRWAY BLVD. SUITE 200  
JACKSON, MS 39201  
PHONE: 761/8888  
FAX: 761/8888



**MRI & CT SUITE ADDITION TO  
THE JACKSON CLINIC  
ORTHOPEDICS**

2859 HWY 45 BYPASS JACKSON, TN

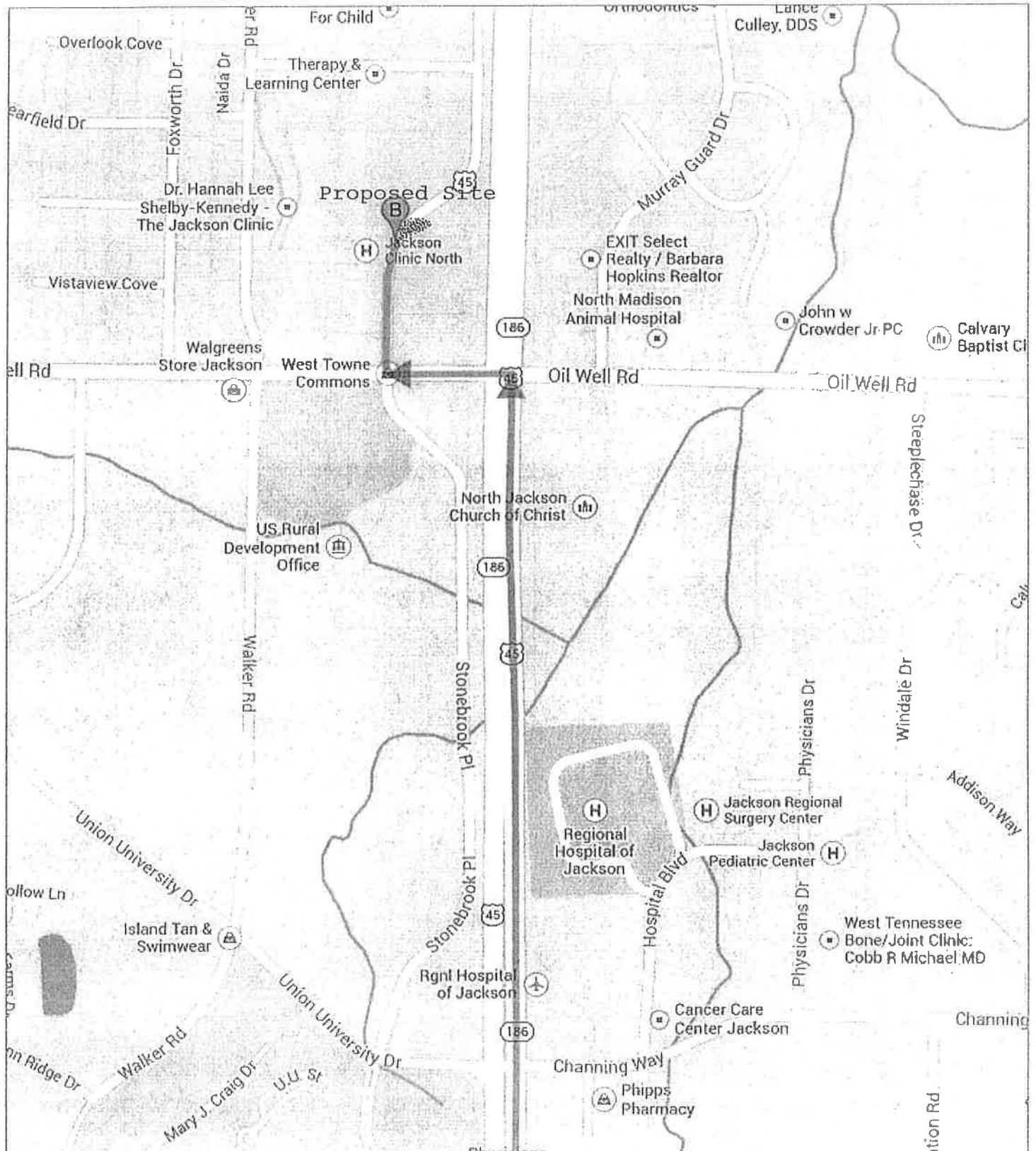
**A1.1**

**C, Need--3  
Service Area Maps**

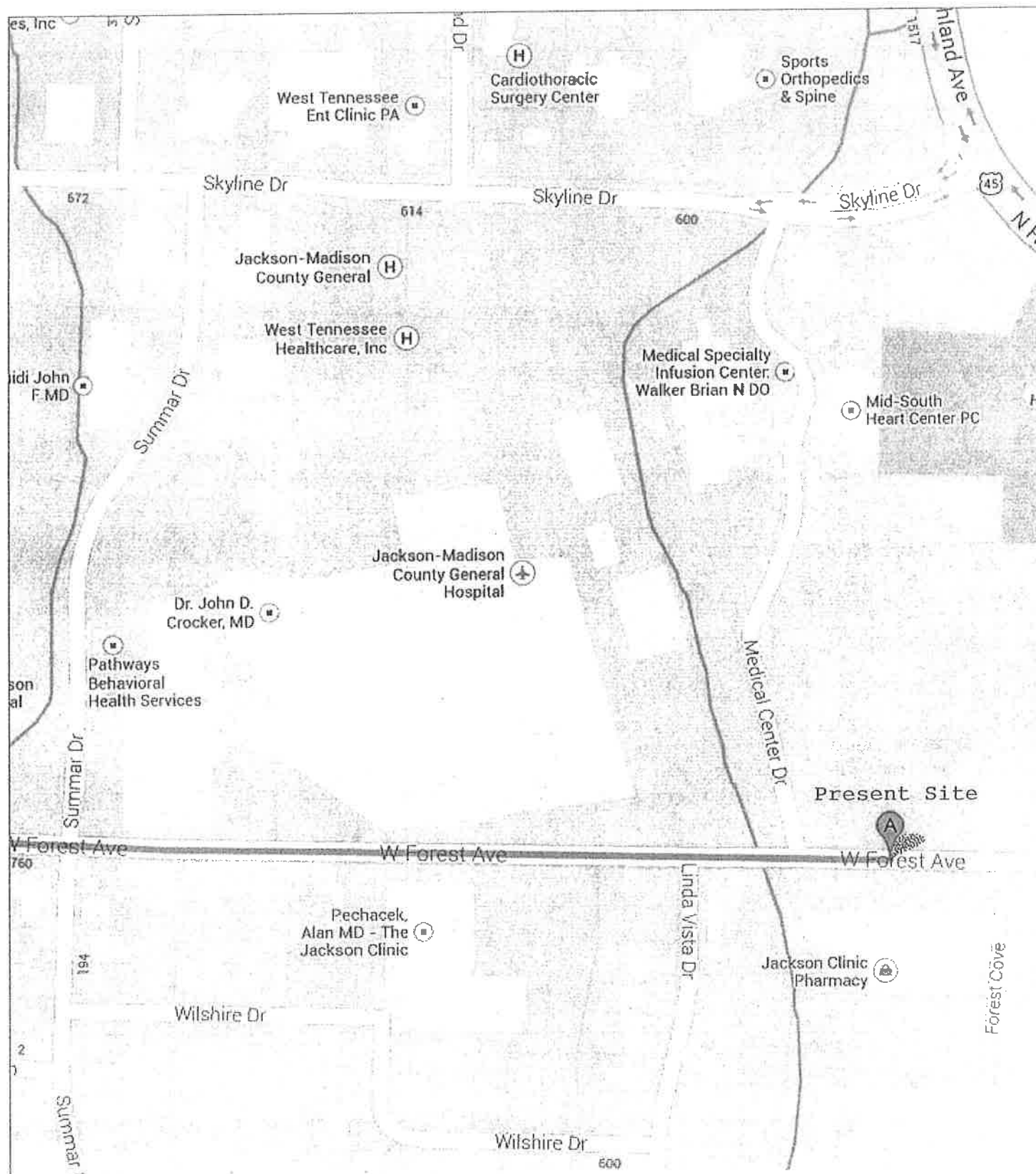
80

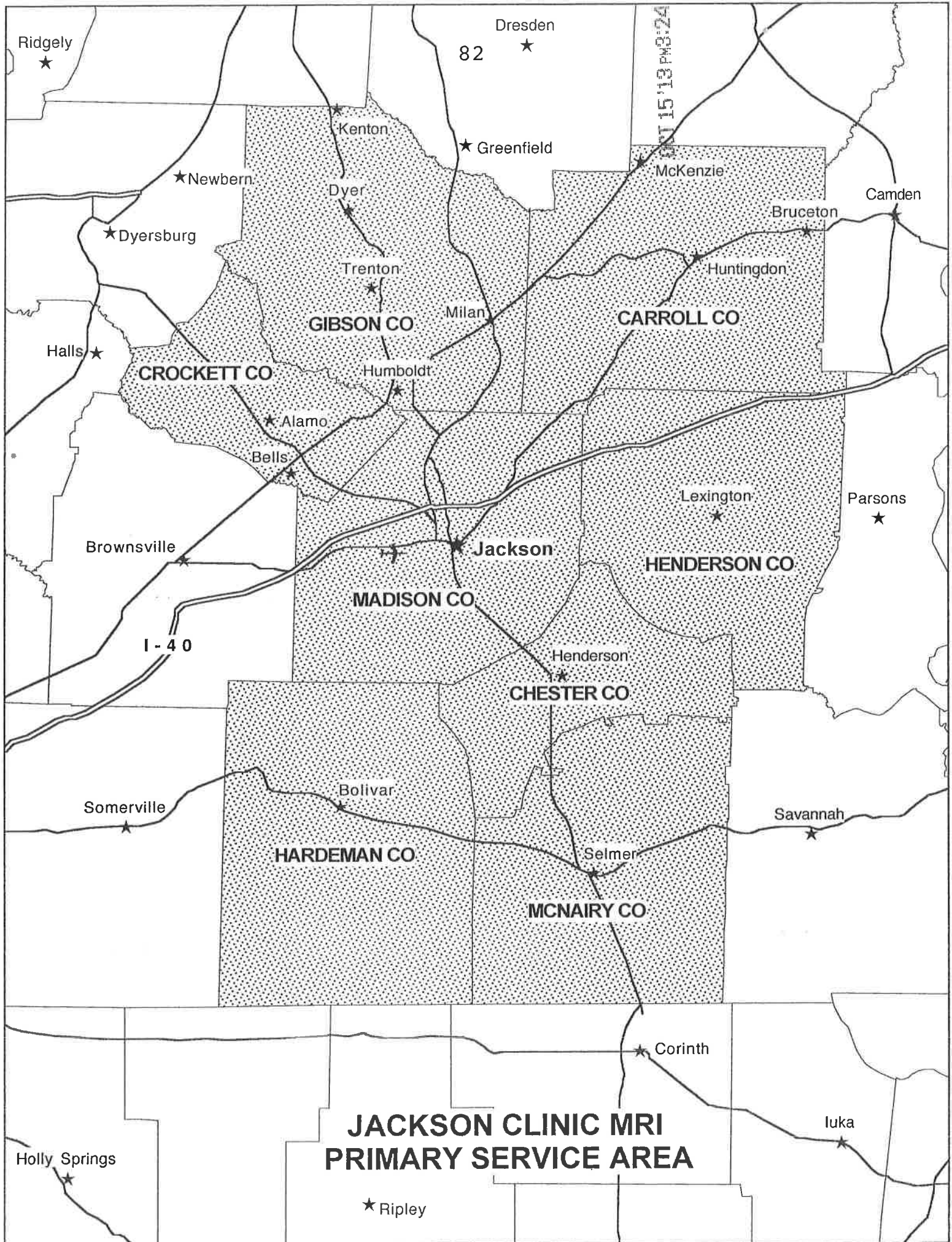
Google

To see all the details that are visible on the screen, use the "Print" link next to the map.

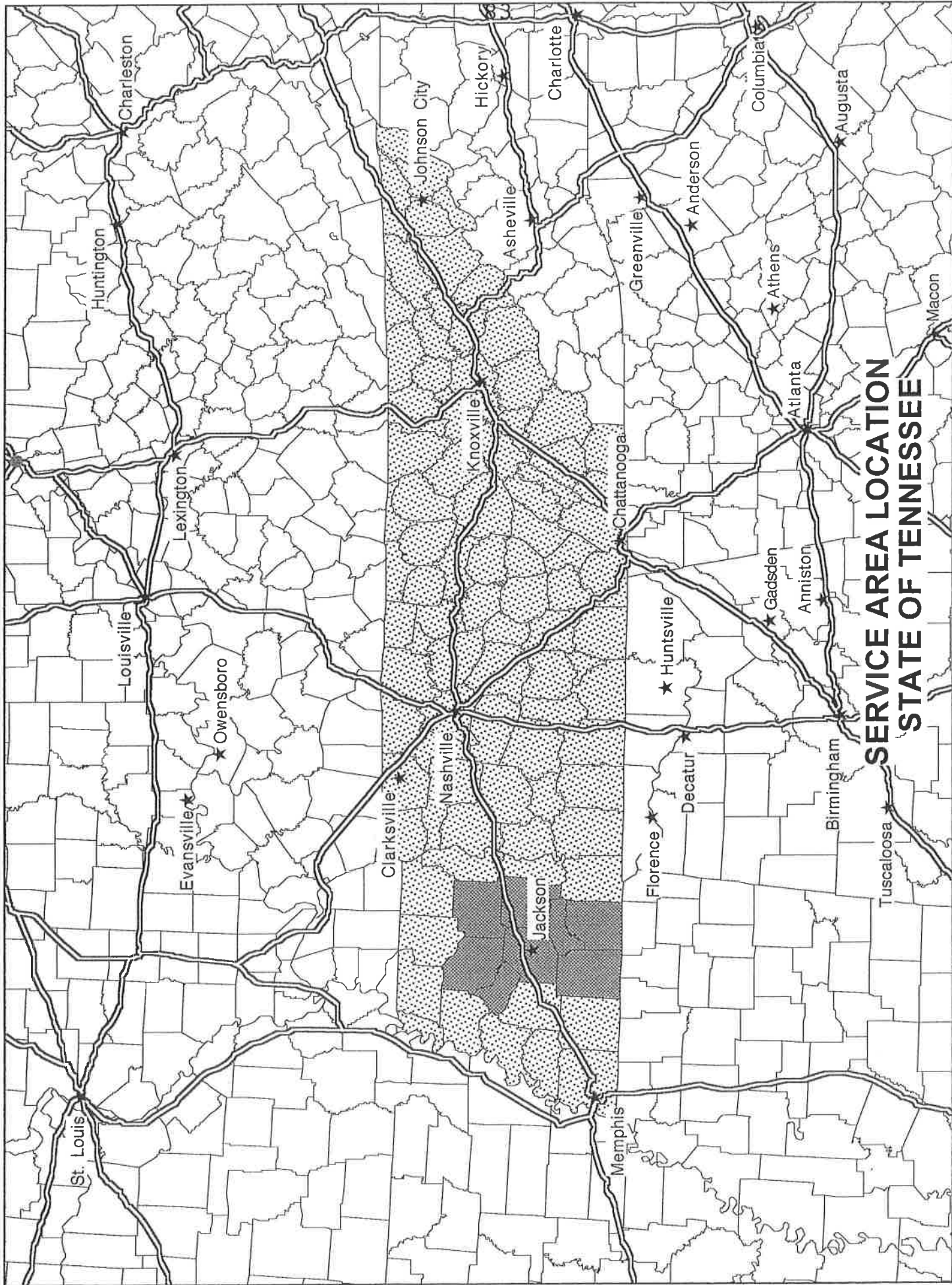


Google









**C, Economic Feasibility--1**  
**Documentation of Construction Cost Estimate**





8.5  
VAUGHAN ASSOCIATES ARCHITECTS, INC.  
111 MURRAY GUARD DRIVE, SUITE B  
JACKSON, TN 38305  
PHONE: 731-664-6180  
FAX: 731-664-3070  
[JEV@VAUGHANARCHITECTS.COM](mailto:JEV@VAUGHANARCHITECTS.COM)

9 October 2013

Ms. Melanie Hill, Executive Director  
Tennessee Health Services and Development Agency  
8<sup>th</sup> Floor – Andrew Jackson Building  
Nashville, TN 37291

**RE: MRI and CT unit addition  
Jackson Clinic, North campus**

Dear Ms. Hill:

Vaughan Associates Architects, Inc. has reviewed the construction budget estimate provided by Fisher Construction Company. Based on our experience and knowledge of the current local healthcare market, it is our opinion that the projected cost of \$602,500 appears to be reasonable for this project type and size.

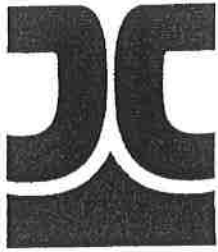
Below is a summary of the current building codes enforced for this Project. This listing may not be entirely inclusive, but the intent is for all applicable codes and standards, State and local, to be addressed during the design process. The codes in effect at the time of submittal of plans and specifications shall be the codes to be used throughout the Project.

- 2006 International Building Code
- 2006 International Plumbing Code
- 2006 International Mechanical Code
- 2006 International Gas Code
- 2006 NFPA 1, excluding NFPA 5000
- 2006 NFPA 101 Life Safety Code
- 2005 National Electric Code
- 2002 North Carolina Accessibility Code with 2004 Amendments
- 2010 Americans with Disabilities Act (ADA)
- 2010 AIA Guidelines for Design and Construction of Healthcare Facilities
- 2007 ASHRAE Handbook of Fundamentals

Sincerely,

Jev Vaughan, Architect

**C, Economic Feasibility--2**  
**Documentation of Availability of Funding**



The Jackson Clinic  
*Professional Association*

616 West Forest Avenue  
Jackson, TN 38301  
731-422-0330  
1-800-372-8221

700 West Forest Avenue  
Jackson, TN 38301  
731-422-0330  
1-800-372-8221

3568 Chere Carol  
Humboldt, TN 38343  
731-784-7602

20719 E. Main Street  
Huntingdon, TN 38344  
731-986-2056

1893 S. Highland Avenue  
Jackson, TN 38301  
731-423-5585

2859 & 2863 Hwy. 45 Bypass  
Jackson, TN 38305  
731-664-1375

87-B Murray Guard Drive  
Jackson, TN 38305  
731-664-8140

132 Hospital Drive  
McKenzie, TN 38201  
731-352-7435

4039 S. Highland, Suite 4  
Milan, TN 38358  
731-686-8995

October 7, 2013

Melanie Hill, Executive Director  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, 9<sup>th</sup> Floor  
500 Deaderick Street  
Nashville, Tennessee 37243

RE: Jackson Clinic Relocation of MRI and CT Services

Dear Mrs. Hill:

The Jackson Clinic is applying for a Certificate of Need to relocate its MRI and CT services from their current location on Forest Avenue to an addition to the Clinic's North Campus several miles away on Walker Road. We estimate that this will require an actual capital expenditure of \$2,000,000 (excluding the market value of the equipment being moved).

As Chief Financial Officer of the Jackson Clinic Professional Association, I am writing to confirm that the Clinic has sufficient operating cash flow and cash reserves to provide all of the required funds in cash, and intends to do so after receipt of CON approval.

The application includes our financial statements documenting that sufficient cash reserves, operating income, and lines of credit exist to fund this project.

Sincerely,

Steve Batchelor  
The Jackson Clinic Professional Association  
CFO

**C, Economic Feasibility--10**  
**Financial Statements**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders  
The Jackson Clinic Professional Association and Subsidiaries

### Report on the Financial Statements

We have audited the accompanying financial statements of The Jackson Clinic Professional Association and Subsidiaries (the "Association"), which comprise the consolidated statements of assets, liabilities, and shareholders' equity - income tax basis as of December 31, 2012, and the related consolidated statements of revenue and expenses - income tax basis, and shareholders' equity - income tax basis for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the Association uses for income tax purposes; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the assets, liabilities, and capital of the Association as of December 31, 2012, and its revenue and expenses and shareholders' equity for the year then ended in accordance with the basis of accounting the Association uses for income tax purposes described in Note 1.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as of and for the year ended December 31, 2012 as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating information as of and for the year ended December 31, 2012, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information as of and for the year ended December 31, 2012 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting the Association uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Jackson, Tennessee  
May 22, 2013

## LIABILITIES AND SHAREHOLDERS' EQUITY

---

### Current liabilities

	\$ 1,605,247
Accounts payable	6,120
Accrued profit sharing	3,000,000
Accrued income taxes	47,135
Other accrued expenses	<u>16,620</u>

Total current liabilities	4,675,122
---------------------------	-----------

### Shareholders' equity

Common stock - no par value; authorized 5,000 shares; issued and outstanding - 1,065 shares	529,175
Retained earnings	<u>3,093,416</u>

Total shareholders' equity	<u>3,622,591</u>
----------------------------	------------------

Total liabilities and shareholders' equity	<u><u>\$ 8,297,713</u></u>
--	----------------------------

See independent auditor's report and accompanying notes to financial statements.

**THE JACKSON CLINIC PROFESSIONAL  
ASSOCIATION AND SUBSIDIARIES**

Consolidated Statement of Assets, Liabilities  
and Shareholders' Equity - Income Tax Basis

December 31, 2012

**ASSETS**

---

Current assets

Cash	\$ 2,799,165
Accounts receivable	155,034
Inventory	<u>806,969</u>

Total current assets	3,761,168
----------------------	-----------

Investments

Investment in Jackson Clinic Medical Building LLC	8,277
---	-------

Property, plant and equipment - at cost

Vehicles	76,478
Leasehold	1,627,190
Furniture and fixtures	1,609,422
Machinery and equipment	<u>22,521,855</u>

Total property, plant and equipment	25,834,945
-------------------------------------	------------

Less: accumulated depreciation	<u>21,306,677</u>
--------------------------------	-------------------

Net property, plant and equipment	<u>4,528,268</u>
-----------------------------------	------------------

Total assets	<u><u>\$ 8,297,713</u></u>
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**THE JACKSON CLINIC PROFESSIONAL  
ASSOCIATION AND SUBSIDIARIES**

Consolidated Statement of Revenues and Expenses - Income Tax Basis  
Year Ended December 31, 2012

Revenues	
Fees and sales	\$ 97,782,471
Miscellaneous	30,328
Total revenues	<u>97,812,799</u>
Cost and expenses	
Salaries and wages	60,285,587
Cost of sales	11,653,248
Other general and administrative expenses	21,185,506
Depreciation	1,988,993
Employees' retirement and profit-sharing plans	3,000,000
Total cost and expenses	<u>98,113,334</u>
Loss from operations	(300,535)
Other income (expense)	
Income from Medical Building	1,568
Interest income	25,840
Interest expense	(51,281)
Total other income (expense)	<u>(23,873)</u>
Loss before income taxes	(324,408)
Income tax expense	<u>(104,143)</u>
Deficiency of revenues over expenses- income tax basis	<u><u>\$ (428,551)</u></u>

See independent auditor's report and accompanying notes to financial statements.

THE JACKSON CLINIC PROFESSIONAL  
ASSOCIATION AND SUBSIDIARIES  
Year Ended December 31, 2012

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **Note 1. Summary of Significant Accounting Policies**

#### Nature of Operations

Established in 1950, The Jackson Clinic Professional Association (the "Association") is a multi-specialty group practice of over 125 physicians. The Association has one wholly-owned subsidiary, The Jackson Clinic Pharmacy, Inc. (the "Pharmacy"). The Pharmacy serves as a provider of pharmaceutical products to the Association and patients.

#### Consolidation

The accompanying consolidated financial statements include the accounts of the Association and Pharmacy. All significant inter-company accounts and transactions have been eliminated in consolidation.

#### Basis of Accounting

The Association prepares their financial statements on the accounting basis used for income tax purposes which is the modified cash method. Under the modified cash method, the Association accrues pension and profit sharing contributions and records depreciation expense. In addition, Internal Revenue Service rules require that, related party transactions occur in the same period for each entity. All other transactions are accounted for on the cash basis of accounting. Consequently, certain revenues and related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. The modified cash method of accounting is not in conformity with accounting principles generally accepted in the United States of America.

The Pharmacy uses the accrual method of accounting, which is required for income tax purposes.

#### Cash Equivalents

The Association considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

#### Inventory Valuation

Inventories are carried at lower of cost or market. Cost is determined using the first-in, first-out ("FIFO") method.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

### Note 1. Continued

#### Property and Equipment

Property and equipment are recorded at cost. Depreciation is calculated using the Modified Accelerated Cost Recovery System or Alternative Modified Accelerated Cost Recovery System method over the estimated useful lives of each asset class. The average estimated useful lives for items reported as property and equipment are as follows:

Vehicles	5 years
Leasehold	5 - 40 years
Furniture and fixtures	7 - 10 years
Machinery and equipment	5 - 10 years

Major improvements and betterments to capital assets are capitalized. Expenses for maintenance and repairs which do not extend the lives of the related assets are charged to expense as incurred.

#### Income Taxes

The Association and its subsidiaries file federal income tax returns on a consolidated basis. The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income from operations for the year ended December 31, 2012, due to the different methods of accounting for income taxes applied by the subsidiary included in the consolidated income tax return. The consolidated group records the consolidated Federal income taxes on the cash basis of accounting. Each entity in the consolidated group is required to file its own state income tax return. Due to the fact that the Pharmacy uses the accrual method of accounting, it records its state income taxes on the accrual basis. The Association records state income taxes on the cash basis of accounting.

The Association has a consolidated Federal net operating loss carryforward at December 31, 2012 of approximately \$1.8 million that will be used to offset future taxable income. If not used, the Federal net operating loss carryforward will expire in varying years beginning in 2031 through 2032. The Jackson Clinic Professional Association has state net operating loss carryforwards at December 31, 2012 of approximately \$9.0 million that will be used to offset future taxable income. If not used, the state net operating loss carryforwards will expire in various years beginning in 2013 through 2027.

#### Investments

The Association owns a 0.1436 percent interest in the Jackson Clinic Medical Building LLC (the "Medical Building") and is the managing member. The Medical Building's sole business activity is the ownership and rental of office space and other facilities to the Association. The equity method is used to record this investment, whereas, the Association records its share of the taxable income or loss of the Medical Building.

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **Note 1. Continued**

#### Advertising

Advertising costs are expensed as incurred or paid depending on the entity. The total advertising expense reflected in the accompanying financial statements was \$296,868 for the year ended December 31, 2012.

#### Accounts Receivable

Management considers all accounts receivable recorded on the balance sheet to be fully collectible at December 31, 2012.

#### Use of Estimates

The preparation of financial statements in conformity with the income tax basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

#### Risk Management

The Association is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage.

### **Note 2. Employee Benefit Plans**

The Association has a profit-sharing plan which covers substantially all of its employees and those employees of the Association's subsidiary. The total profit-sharing plan cost for the year ended December 31, 2012, was \$3,000,000. The Association contributes a 3 percent safe harbor contribution and may contribute a discretionary profit sharing contribution determined by its Board of Directors. Covered employees are eligible to defer up to the maximum amount allowed by law.

### **Note 3. Operating Leases and Related Party Transactions**

The Association leases various warehouses, lab equipment, office equipment, office space and clinical space under operating leases. Some of these leases are noncancellable and have certain escalation clauses. The Association incurred total lease expense of \$3,764,221 for the year ended December 31, 2012, which includes the following:

97  
**THE JACKSON CLINIC PROFESSIONAL  
ASSOCIATION AND SUBSIDIARIES**  
Year Ended December 31, 2012

**SUPPLEMENTAL- # 1**  
**OCTOBER 28**  
**2:24pm**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

**Note 3. Continued**

The Association rents one of its buildings from the Medical Building. Total rent expense paid to the Medical Building for the year ended December 31, 2012 was \$1,482,339.

On September 19, 2011, the Association entered into a 10-year tenant lease agreement with West Tennessee Investors, LLC (the "Partnership") to rent certain clinical space. Pursuant to this agreement, the Partnership offered the Association or the Medical Building an opportunity to purchase an ownership interest in the Partnership. As a result, the Medical Building acquired a 49.5 percent membership interest in the Partnership. The lease agreement provides for the Association to make monthly rent payments of \$119,742, expiring on August 31, 2021, and the rent payments are subject to annual adjustments based on operating costs and updates to the Consumer Price Index. Total rent expense paid to the Partnership for the year ended December 31, 2012 was \$1,428,823.

In connection with the execution of the lease with the Partnership for new clinical space, the Association entered into an amended lease agreement on October 1, 2011 with West Tennessee Healthcare, Inc. to reduce its rental space. The amended monthly rent payment is \$40,250 and the lease expires on November 30, 2018. Total rent expense paid to West Tennessee Healthcare, Inc. for the year ended December 31, 2012 was \$467,253.

The Association also rents a satellite office from one of its shareholders. Total rent expense paid to its shareholder for the year ended December 31, 2012 was \$24,000.

Approximate annual future minimum lease payments under noncancellable operating leases, excluding rent payments to the Medical Building, as of December 31, 2012, are:

---

2013	\$ 1,920,000
2014	1,920,000
2015	1,920,000
2016	1,920,000
2017	1,920,000
Thereafter	5,720,000
Total	<u>\$ 15,320,000</u>

**Note 4. Concentration of Credit Risk**

The Association has deposits that are not covered by FDIC insurance at December 31, 2012. The Association has not experienced any losses as a result of the concentration.

**THE JACKSON CLINIC PROFESSIONAL  
ASSOCIATION AND SUBSIDIARIES**  
Year Ended December 31, 2012

OCTOBER 28

2:24pm

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **Note 4. Continued**

A summary of revenue for patient services received under contract with major third-party cost reimbursers for the year ended December 31, 2012 was as follows:

	Percent of Revenue
Medicare/Medicaid	36%
Contracted	48%
Commercial - Other	16%
	<u>100%</u>

### **Note 5. Credit Facility**

The Association has an unsecured line of credit with a local bank of up to \$3,000,000 with a floating interest rate based on the 30 day LIBOR plus 1.75 percent, expiring July 31, 2013, which the Association expects to renew at maturity. At December 31, 2012, the Association had no outstanding balance on the line of credit.

### **Note 6. Long-Term Debt**

The Association had a note payable with a local bank, collateralized by all inventory and equipment. The note was payable in monthly installments of \$37,237 including interest at 4.38 percent per annum beginning on May 23, 2010 for 60 months with the scheduled final payment of the unpaid balance due April 23, 2015. However, during 2012 the Association paid off the remaining balance of the note.

### **Note 7. Electronic Health Record Incentive Payments**

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in 2011 for eligible hospitals and professionals that adopt and meaningfully use certified electronic health record ("EHR") technology. The Association must attest to certain criteria in order to qualify to receive the incentive payments. The amount of the incentive payments are calculated using predetermined formulas based on available information, primarily related to discharges and patient days. The Association recognizes revenues related to Medicare and Medicaid incentive payments in the fiscal year during which they are received.

The Association recognized \$2,007,033 of revenues related to the electronic health record incentive program for the year ended December 31, 2012. These revenues are reflected in operating revenues on the accompanying consolidated statement of revenues and expenses – income tax basis. Future incentive payments could vary due to certain factors such as

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Note 7. Continued**

availability of federal funding for both Medicare and Medicaid incentive payments and the Association's ability to implement and demonstrate meaningful use of certified EHR technology.

The Association has and will continue to incur both capital costs and operating expenses in order to implement its certified EHR technology and meet meaningful use requirements in the future. These expenses are ongoing and are projected to continue over all stages of implementation of meaningful use. The timing of recognizing the expenses may not correlate with the receipt of the incentive payments and the recognition of revenues. There can be no assurance that the Association will demonstrate meaningful use of certified EHR technology in the future, and the failure to do so could have a material, adverse effect on the results of operations. As a part of operating this program, there is a possibility that government authorities may make adjustments to amounts previously recorded by the Association. The Association's attestation of demonstrating meaningful use is also subject to review by the appropriate government authorities.

**Note 8. Health Benefit Plan**

The Association has established a self-insured health benefit plan (the "Plan") for employees and eligible dependents. Employees of the Pharmacy are also covered under the Plan. The Plan is funded by contributions from the Association and employees, which provides coverage for employees and dependents, respectively. An independent claims processor under the direction of the Association administers the Plan. The Plan provides for health care services to be rendered to participants primarily by the Association and specific non-Association professionals. Employees are eligible for participation in the program upon becoming a full-time employee of the Association, and the Plan, under COBRA requirements, covers former employees.

The Plan retains an aggregated specific risk insurance policy from an independent insurance company (the "Excess Insurer") to limit the potential health claims exposure of the Association. The Plan is responsible for payment of the first \$100,000 in medical expenses per individual per year. That \$100,000 is the "deductible" amount for the excess risk insurance. The next \$50,000 in medical expenses per individual per year is payable by the Excess Insurer. Then, the next \$40,000 per individual per year is payable by the Employer Health Plan. Amounts above \$190,000 per individual per year, are payable by the Excess Insurer up to the maximum benefit per plan year (which is \$1,900,000 per individual per year, \$2,000,000 total). The Association incurred total health insurance expense of \$4,946,680 for the year ended December 31, 2012 which is expensed when paid.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### **Note 9. Litigation**

The Association is involved in various legal proceedings and litigation arising in the ordinary course of business. Some of these proceedings involve claims in excess of the Association's insurance coverage. In the opinion of management and legal counsel, the outcome of such proceedings and litigation that involve claims that exceed insurance coverage is not determinable at this time. If the Association were to receive an unfavorable outcome, any amounts due to be paid by the Association would be expensed when paid in accordance with the income tax basis of accounting.

### **Note 10. Guarantees**

As of December 31, 2012, the Association is contingently liable as guarantor with respect to two note payables held by the Medical Building.

The first note payable has a term of guarantee through December 24, 2014. At any time through that date, should the Medical Building fail to make any payment when due, the Association will be obligated to perform under the guarantee, primarily by making the required payments, including late fees, accrued unpaid interest and penalties. The balance of the note payable at December 31, 2012 was \$2,032,974.

The second note payable has a term of guarantee through November 18, 2016. At any time through that date, should the Medical Building fail to make any payment when due, the Association will be obligated to perform under the guarantee, primarily by making the required payments, including late fees, accrued unpaid interest and penalties. The balance of the note payable at December 31, 2012 was \$5,377,033.

### **Note 11. Investment in Jackson Clinic Medical Building LLC**

The condensed financial information of the Medical Building as of December 31, 2012 and for the year then ended is as follows:

Assets	<u>\$ 13,028,135</u>
Liabilities	<u>\$ 7,742,188</u>
Equity	<u>\$ 5,285,947</u>
Revenues	\$ 1,729,548
Expenses	<u>678,887</u>
Net income	<u>\$ 1,050,661</u>



101  
THE JACKSON CLINIC PROFESSIONAL  
ASSOCIATION AND SUBSIDIARIES  
Year Ended December 31, 2012

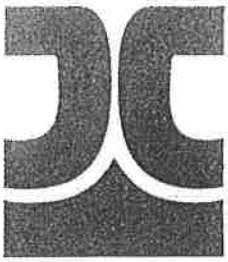
**SUPPLEMENTAL- # 1**  
**OCTOBER 28**  
**2:24pm**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 12. Subsequent Events**

In preparing these consolidated financial statements, the Association has evaluated events and transactions for potential disclosure through May 22, 2013, the date the consolidated financial statements were available to be issued.

## **Miscellaneous Information**



## The Jackson Clinic

*Professional Association*

616 West Forest Avenue  
Jackson, TN 38301  
731-422-0330  
1-800-372-8221

700 West Forest Avenue  
Jackson, TN 38301  
731-422-0330  
1-800-372-8221

3568 Chere Carol  
Humboldt, TN 38343  
731-784-7602

20719 E. Main Street  
Huntingdon, TN 38344  
731-986-2056

1893 S. Highland Avenue  
Jackson, TN 38301  
731-423-5585

2859 & 2863 Hwy. 45 Bypass  
Jackson, TN 38305  
731-664-1375

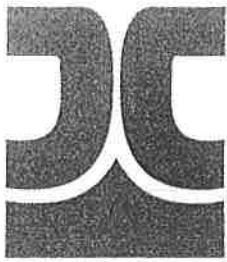
87-B Murray Guard Drive  
Jackson, TN 38305  
731-664-8140

132 Hospital Drive  
McKenzie, TN 38201  
731-352-7435

4039 S. Highland, Suite 4  
Milan, TN 38358  
731-686-8995

### **THE JACKSON CLINIC PROFESSIONAL ASSOCIATION SPECIALTIES AND SUBSPECIALTIES - OCTOBER 2013**

Anesthesiology  
Cardiology  
Convenient Care (walk-in clinic)  
Critical Care Medicine  
Dermatology  
Endocrinology  
Family Practice  
Gastroenterology  
General Surgery  
Infectious Disease  
Hematology  
Hospitalists  
Internal Medicine  
Nephrology  
Obstetrics & Gynecology  
Occupational Medicine  
Oncology  
Ophthalmology  
Orthopedic Surgery  
Otolaryngology (ENT)  
Pediatrics  
Plastic Surgery  
Podiatry  
Psychiatry  
Psychology  
Pulmonology  
Radiology  
Thoracic Surgery  
Urology  
Vascular Surgery



## The Jackson Clinic

*Professional Association*

### A BRIEF LOOK AT THE JACKSON CLINIC

616 West Forest Avenue  
Jackson, TN 38301  
731-422-0330  
1-800-372-8221

700 West Forest Avenue  
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3568 Chere Carol  
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87-B Murray Guard Drive  
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731-664-8140

132 Hospital Drive  
McKenzie, TN 38201  
731-352-7435

4039 S. Highland, Suite 4  
Milan, TN 38358  
731-686-8995

The Jackson Clinic, founded in 1950, is one of the largest private multispecialty physician group practices in the Southeastern United States. The Clinic employs approximately 140 physicians and 650 non-physician employees, with 10 patient-care locations that serve patients from all of rural West Tennessee. The Clinic's physicians are divided nearly evenly between primary care and specialists, with more than 25 specialties and subspecialties represented. More detailed information on The Clinic's physicians can be found on the Internet at [www.jacksonclinic.com](http://www.jacksonclinic.com).

Across The Clinic's system, approximately 2,000 patients receive treatment per day. The Clinic serves Medicare, Medicaid/TennCare, and other federal and state health plans. The Clinic is contracted with both of the MCOs serving the West Tennessee TennCare region (BlueCare and AmeriChoice), and with Medicare plans offered by HealthSpring, BlueCross BlueShield of Tennessee, and Humana. With 10 OB/GYNs and 9 pediatricians on staff, The Clinic is the largest provider of women's and children's health services in the region. At Clinic facilities, patients receive comprehensive diagnostic and therapeutic services, including chemotherapy, physical therapy, X-ray, CT, MRI, ultrasound, mammography, nuclear medicine, and laboratory services including a state-licensed reference lab.

The Jackson Clinic has long had a reputation as a health care innovator. The Clinic is not timid about embarking on change when it makes sense to do so. Some examples of our leadership are:

- In 1996, The Clinic began a 6-year partnership with Murray Outdoor Products Inc. whereby The Clinic managed and directed Murray's health benefit plan for employees in Jackson and McKenzie. This unique direct contract relationship, with no insurance company between the organizations, focused on physician-directed managed care rather than insurer-directed managed cash flow. It resulted in Murray's per-member-per-month cost for physician and hospital services being cut by more than 20% between 1996 and 2001, and with a very high degree of both employer and patient satisfaction. The program thrived until Murray closed its West Tennessee facilities in 2001.
- In 1997, The Clinic introduced the first hospitalist program in West Tennessee. Today, with 9 physicians serving as hospitalists at Jackson-Madison County General Hospital, The Clinic operates a proven program that provides efficient and cost-effective care for inpatients in that facility.
- On May 1, 1999, The Clinic introduced the region's first comprehensive electronic health record ("E.H.R."), populated with patient information that had been archived since 1995 in anticipation of the eventual adoption of an E.H.R. Today, The Clinic is a national leader in integration of the E.H.R. into a system of coordinated patient care, and has qualified more than 100 physicians as "meaningful users" of E.H.R. technology in a federal program in each of 2011 and 2012.
- In 2011, The Clinic partnered with Cigna to establish a "Collaborative Accountable Care" ("CAC") program in West Tennessee. The program has been very successful – a Cigna press release detailing 2012 Jackson Clinic performance is provided. In March 2013, Jackson Clinic and Cigna representatives met with Ms. Lori Lee, Director of Tennessee state health plans, to review CAC performance with respect to the more than 3,800 state employees attributed to The Jackson Clinic. Slides showing data presented to the state are provided with this narrative – the savings to the State have been substantial, and the program is continuing with state employees.
- The Jackson Clinic is one of the few Tennessee clinics to have attained Level II certification as a Patient Centered Medical Home (PCMH) by the National Committee on Quality Assurance (NCQA). In recent weeks, Clinic leaders have met with Mr. Brooks Daverman, co-director of the Tennessee's Health Payment Reform Initiative, to share information and insights with state officials because PCMH is one of the foundation pieces of the state's payment reform initiative.

The Clinic is an active member of the American Medical Group Association, an organization that brings together the most prestigious group practices in the nation to tackle health system issues. In this association, The Clinic's peer groups are the Mayo Clinic, Cleveland Clinic, Geisinger Clinic, Lahey Clinic, Marshfield Clinic, Virginia-Mason Clinic, Dean Health System, etc.; in short, Jackson Clinic leaders are interacting with the best and brightest of U.S. physician-directed health care organizations, and bringing their insights to West Tennessee.

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## The Jackson Clinic Shows Improved Quality, Lower Costs In Cigna's Collaborative Accountable Care Program

### Business Wire

08/12/13 - 11:05 AM EDT

First-year results from Cigna's (NYSE: CI) **collaborative accountable care** initiative with The Jackson Clinic indicate that the program is showing progress toward achieving the "triple aim" of **improved health, affordability and patient experience**. The Jackson Clinic serves over 5,500 individuals covered by a Cigna health plan and has shown significantly positive results in delivering quality care while controlling total medical cost trend.

"Providing the highest possible quality of care – medical care that exceeds the expectations of our patients throughout rural West Tennessee – that is our goal," said Dr. Bill Mariencheck, Clinic President. "It was apparent from our first meeting with Cigna about its Collaborative Accountable Care program that it was well-thought-out, and it provided a solid foundation for us to integrate the infrastructure put in place at The Clinic over the past decade to support well-coordinated, efficient care delivery."

Cigna quality of care measures compare how well a physician practice follows guidelines for evidence-based medicine relative to other practices in the same geographic area (market) across the patients with Cigna coverage. During calendar year 2012, the Jackson Clinic outperformed its peers on a number of important measures:

- **19% better than market** for annual eye exams for people with diabetes
- **25% better than market** for annual screenings for kidney disease for people with diabetes
- **7% better than market** for breast cancer screenings
- **50% better than market** for adolescent well-care visits

"We are happy with the results of our collaborative accountable care partnership with Cigna, and encouraged," said Carl Rudd, Jackson Clinic Administrator for nearly 40 years. "We expected to use the program to prepare our staff for health care reform changes. Even if it took more than one year to meet the quality and efficiency goals we set, our participation would prepare us for the significant changes ahead. It definitely required us to change the internal processes for delivering medical services and required the organization to look for combinations of quality and efficiency that could guarantee our patients the results they expect of The Jackson Clinic. Our providers and staff stepped up to the challenge as they always have."

"This is a physician practice that truly understands the value of collaboration between doctors and the health plan, to the benefit of their patients and local employers, who can enjoy better care and lower medical costs through this program," said Renee McLaughlin, M.D., Cigna's senior medical director for Tennessee.

Cigna also measures cost-efficiency by comparing a physician practice's total medical cost trend relative to other practices in the same geographic area (market). During calendar year 2012, The Jackson Clinic experienced an overall total medical cost trend of nearly **five percent lower** than the local market.

A number of factors contributed to these results, including high referral rates to Cigna Care Designated specialists (physicians in certain specialties who meet/exceed Cigna-specific quality and cost-efficiency criteria), a focus and dedication to improving inpatient hospital costs, and helping frequent emergency room users receive the care they need in the most appropriate setting. During 2012, The Jackson Clinic had:

- **10.5% better** inpatient hospital cost trend compared to market
- **Half as many** frequent emergency room users compared to market, resulting from additional Convenient Care locations and extended office hours
- **70% better referral rate** to Cigna Care Designated specialists compared to market

What makes the program work? A registered nurse, employed by The Jackson Clinic, serves as a clinical care coordinator and helps patients with chronic conditions or other health challenges navigate the health care system. The care coordinator is aligned with a team

of Cigna case managers to ensure a high degree of collaboration between the medical group and Cigna that ultimately results in a better experience for the individual.

"Our doctors – especially our primary care physicians – immediately grasped the benefits of a 'care team,'" said Sarah Bynum, MHA/INF, RN, who directs The Clinic's new Clinical Informatics and Population Health Management Department. "Because of our electronic health record, we had the data. With Cigna's help, we used the data to reach out to patients about preventive care and chronic disease management. We found patients to be very receptive – they want to be cared for well."

Other factors that also contributed to The Jackson Clinic's positive results include:

- Participation in a "Transition of Care" pilot, in which The Jackson Clinic's embedded clinical care coordinator reaches out to patients following hospital discharge to schedule them for a visit with their primary care doctor within seven days;
- Increased office hours and additional locations to give patients an alternative to the emergency room when seeking care;
- Educational postcards available at Jackson Clinic locations explaining when it may be appropriate to use urgent care facilities or the emergency room and how patients can contact Jackson Clinic to set up a same-day appointment;
- The introduction of services at a skilled nursing facility, as an alternative patient care setting to avoid extended inpatient hospital stays when appropriate; and,
- An effective hospitalist program focused on frequent emergency room users, with the clinical care coordinator reaching out to patients to provide guidance and education on the most appropriate care settings.

"I think that all health care providers – physicians, nurses, and their assisting personnel – aspire to provide excellent care, and to be perceived as superb care-givers. Our providers don't seek to be just average," said Ms. Bynum. "This commitment to excellence – individually and organizationally – has been a critical factor in The Clinic's success over the years."

The principles of the patient-centered medical home are the foundation of Cigna's collaborative accountable care initiatives. Cigna then builds on that foundation with a strong focus on collaboration and communication with physician practices. Cigna has 66 collaborative accountable care initiatives in 26 states, encompassing more than 700,000 commercial customers and more than 27,000 doctors, including more than 12,500 primary care physicians and nearly 14,500 specialists. Cigna launched its first collaborative accountable care program in 2008 and its goal is to have 100 of them in place with one million customers in 2014.

Collaborative accountable care is one component of the company's approach to physician engagement for health improvement, which also includes Cigna-HealthSpring's care model for Medicare customers. Taken together, these 231 programs in 31 states reach more than one million customers and have nearly 55,000 participating doctors, including nearly 19,000 primary care physicians and nearly 36,000 specialists.

### About The Jackson Clinic

Established in 1950 by five medical and surgical specialists, The Jackson Clinic was the first multi-specialty group practice in Tennessee. Today, it is a professional association of physicians devoted to the private group practice of medicine. The Clinic has a long history of innovation in West Tennessee: first extended-hours Convenient Care clinic location in 1986; first hospitalist program in 1997; first comprehensive electronic medical record in 1999. Clinic physicians are now poised to lead the medical community of West Tennessee through a period of unprecedented health system reform. At The Jackson Clinic, our 21<sup>st</sup> Century goal is the same as it was in the last century: to provide the highest level of medical care by integrating clinical practice, current technology, and research, in an environment that is comfortable to our patients.

### About Cigna

Cigna Corporation (NYSE: CI) is a global health service company dedicated to helping people improve their health, well-being and sense of security. All products and services are provided exclusively by or through operating subsidiaries of Cigna Corporation, including Connecticut General Life Insurance Company, Cigna Health and Life Insurance Company, Life Insurance Company of North America and Cigna Life Insurance Company of New York. Such products and services include an integrated suite of health services, such as medical, dental, behavioral health, pharmacy, vision, supplemental benefits, and other related products including group life, accident and disability insurance. Cigna maintains sales capability in 30 countries and jurisdictions, and has approximately 80 million customer relationships throughout the world. To learn more about Cigna®, including links to follow us on Facebook or Twitter, visit [www.cigna.com](http://www.cigna.com).

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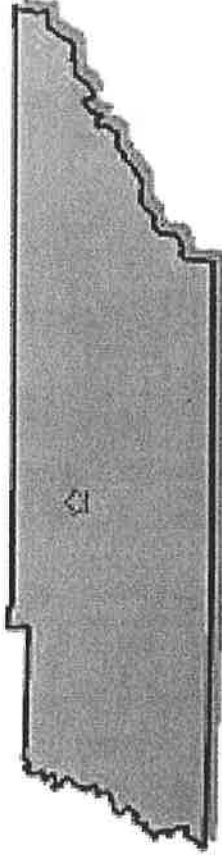
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## Report to Jackson Clinic Physicians – April 2013

*March 11, 2013 – Nashville Meeting*

- ▣ State of Tennessee Employee Health Plan  
(Ms. Lori Lee, Director of Tennessee Health Plans)
- ▣ CIGNA National HQ & Southeastern Region Executives
  - ▣ Jackson Clinic Representatives

Issues discussed: Should State of Tennessee continue to participate in the CIGNA Collaborative Accountable Care product as an employee health plan option? Is the State getting “value” for expense incurred?

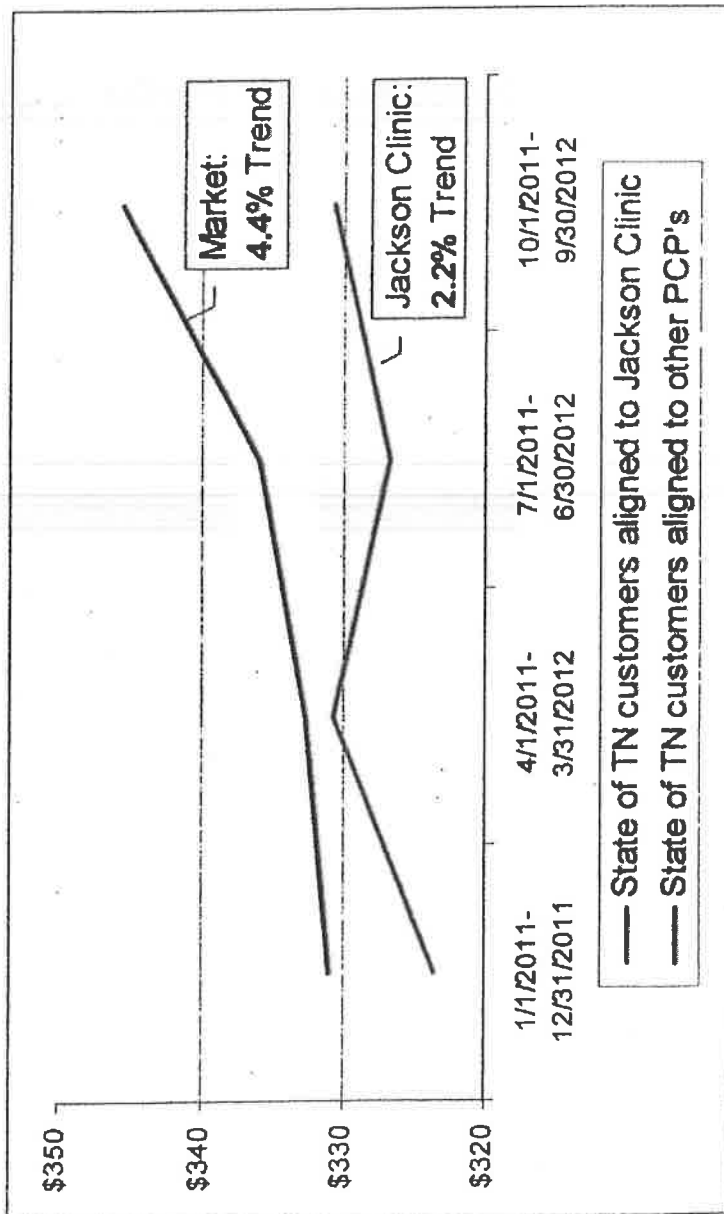
# CIGNA Shared its Jackson Clinic performance Data

## ■ State of Tennessee Results with Jackson Clinic

CAC	Aligned Customers	PI	TMC Trend Relative to Market	Net Client Savings (pmpm)	ROI
Jackson Clinic	3,841	0.96	2.2%	\$7.80	5.2

Market Trend  
Tot Medical Cost  
Annual Increase:  
4.4 %

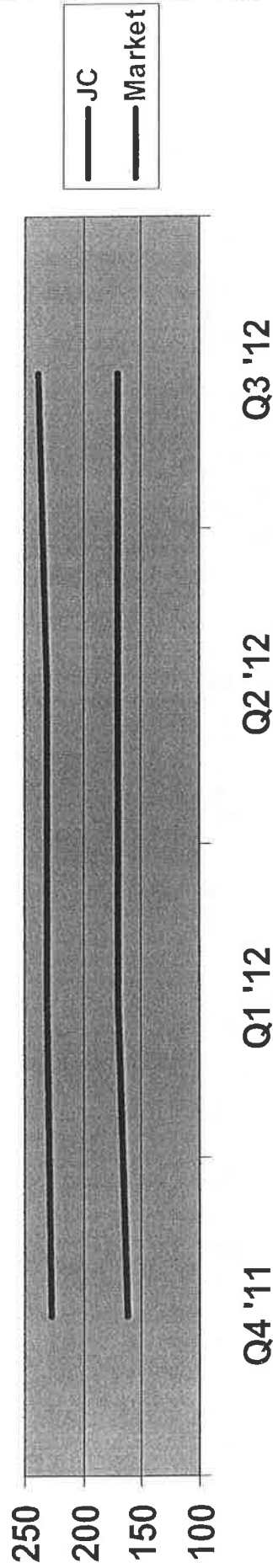
JCPA Trend  
Tot Medical Cost  
Annual Increase:  
2.2 %



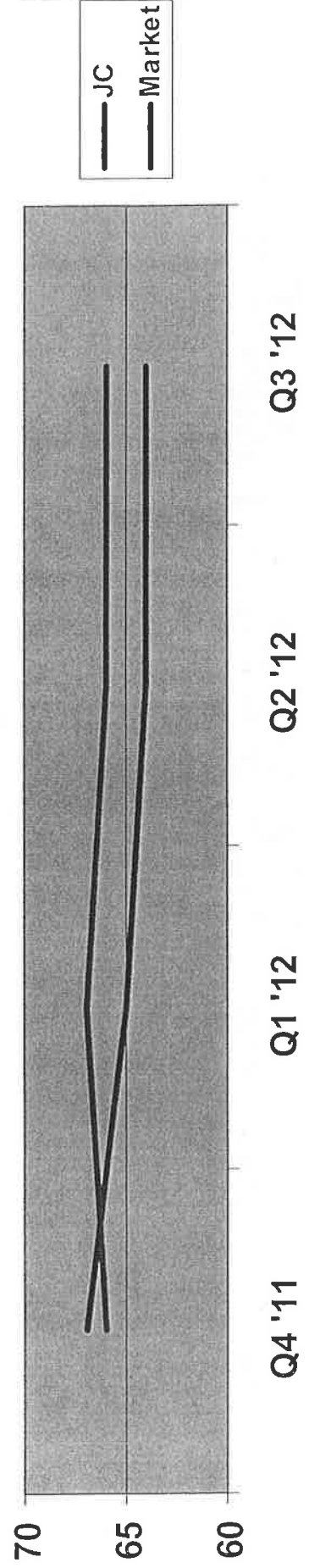


# Example: Facility Utilization

ED Vsits/k

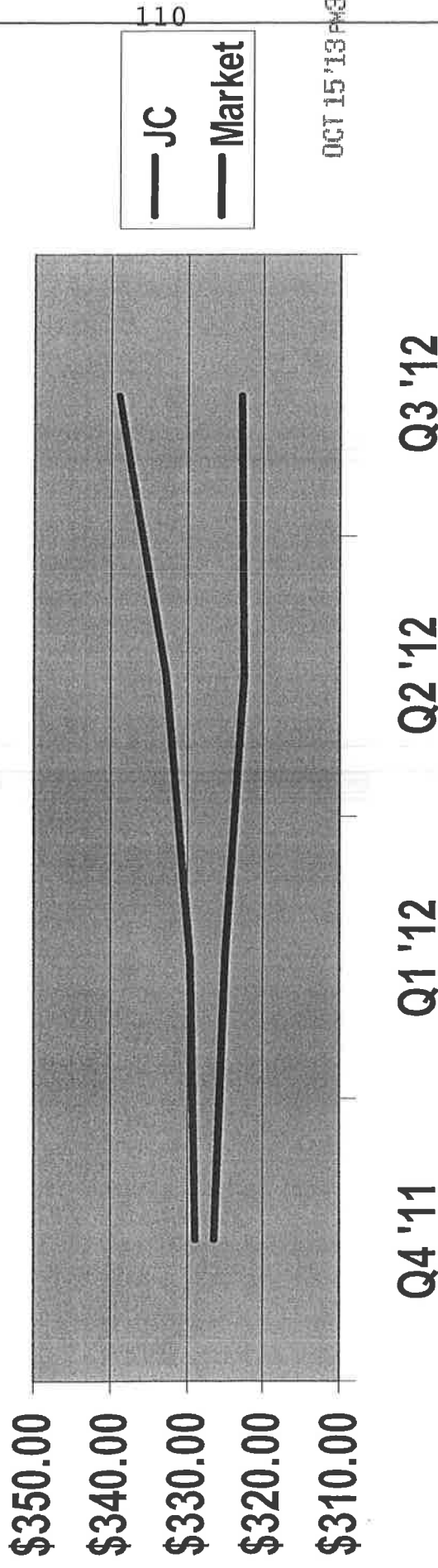


Inpatient admits/k



# Example: Total Medical Cost Trend

*Total Medical Cost*



OCT 15 '13 PM3:24

9/30/2012 Snapshot – Total Medical Cost (PMPM):

Overall Market: \$338.84

Jackson Clinic: \$322.83

**State is Saving Real Dollars:**

**Jackson Clinic has**

**3,841 attributed state employees**

**State savings is:**

**\$7.80 PMPM (per member per month)**

**or**

**@ \$ 30,000 savings per month**

**or**

**@ \$ 360,000 savings per year**

*Data as of 09/30/2012*

*State employees attributed to JCPA have been in  
CIGNA CAC since 1/1/11 (1¾ years measured)*

**McMahon, Kevin**

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**From:** Brooks Daverman [Brooks.Daverman@tn.gov]  
**Sent:** Monday, September 16, 2013 4:52 PM  
**To:** Williams, Keith; ctwelsch@gmail.com; Allen, Mark; Bynum, Sarah; Parrett, Cathy; McMahon, Kevin; Rudd, Carl; Hammond, Jere  
**Cc:** Sarah K. Allen  
**Subject:** thank you for meeting

All,

Thank you for taking the time to meet with Sarah and I on Friday. I enjoyed hearing about innovations at the Jackson Clinic and it was very helpful to hear your feedback on the Tennessee Payment Reform Initiative. I hope that we can stay in touch over time and that you will share your thoughts about the Payment Reform Initiative as it is developed. To that end, I have included your email addresses in our distribution list. We will not bury you in email but we will send updates from time to time. Please feel free to reach out to me at any time.

Sincerely,

Brooks Daverman, Director  
Strategic Planning and Innovation Group  
Tennessee Division of Health Care Finance and Administration  
615-532-3163  
[brooks.daverman@tn.gov](mailto:brooks.daverman@tn.gov)  
<http://www.tn.gov/HCFA/strategic.shtml>

**McMahon, Kevin**

---

**From:** Brooks Daverman [Brooks.Daverman@tn.gov]  
**Sent:** Sunday, July 14, 2013 9:58 PM  
**To:** McMahon, Kevin  
**Cc:** Julia Harris  
**Subject:** RE: TENNESSEE HEALTH PAYMENT REFORM INITIATIVE

Dear Mr. McMahon,

Thank you for this letter. I am very interested to learn more about your group practice. Cigna is one of the insurers that is working with us and so I have heard a lot about their CAC, but I have not yet seen one of the locations. I think that a meeting/tour in Jackson would be a great idea. I would like to bring one or two of my colleagues as well.

Would it also be appropriate to ask my contacts at Cigna if they would like to be a part of this meeting? I am working with Matt Unga, Renee McLaughlin, Shawn Morris, and Jeannie Hubbel. I don't have an opinion on what is best, so I will leave that decision to you.

We have a Payment Reform Public Roundtable series of meetings that meets monthly and is open to all stakeholders. I am copying my colleague Julia Harris to make sure that you are included in future information about this series of meetings. The Public Roundtable is not specific to PCMH and neither is the Provider Stakeholder Group. I would like to plug you into a future stakeholder consultation process that is specific to PCMH. At this time we are still defining our options, and so we are not creating any new stakeholder groups until we have a better sense of that. (We are more developed on the acute side, working on retrospective episodes of care; perhaps you have heard something about this.) A meeting at one of your locations will help us with our PCMH analysis.

Please let me know when a good time for a visit would be.

Brooks Daverman  
 Director, Strategic Planning and Innovation  
 Tennessee Division of Health Care Finance and Administration  
 brooks.daverman@tn.gov 615-532-3163

---

**From:** McMahon, Kevin [kcmcmahon@jacksonclinic.com]  
**Sent:** Thursday, July 11, 2013 5:30 PM  
**To:** Brooks Daverman  
**Subject:** TENNESSEE HEALTH PAYMENT REFORM INITIATIVE

Dear Mr. Daverman:

The undersigned is general counsel for The Jackson Clinic, a 140-physician multispecialty group practice centered in Jackson and serving the population of rural West Tennessee since 1950. Coincidentally, I am also the Chairman of the Tennessee Group Practice Coalition (TGPC), a group of a few dozen larger clinics that spans the state from Tri-Cities to Memphis, including major clinics such as Holsten, State of Franklin, Summit, Galen, Murfreesboro Medical, Heritage, Dickson Medical, and Premier.

I note that a Provider Stakeholder group has been arranged for the subject initiative, and I thought it might be beneficial to have someone from The Jackson Clinic join the group both on behalf of The Clinic and on behalf of the TGPC. I note from public documents that the state is interested in establishing some processes for coordinated care delivered utilizing the Patient Center Medical Home methodology and principles of Accountable Care organizations. You may not be aware of this, but The Jackson Clinic is doing all of that NOW. Other TGPC member clinics (Holsten, Summit, Heritage, for example) have also established expertise at these processes.

The Jackson Clinic (which is approximately 50% primary<sup>114</sup> care and 50% specialists) is a PCMH – we have attained Level II certification from NCQA as PCMH for all Clinic locations. We have had a comprehensive, fully-functional electronic health record since May 1, 1999, and have attained “meaningful use” certification from the federal government for all of our providers eligible for that program since 2011 (we have not maintain any paper charts at The Clinic since 2003). Jackson Clinic IS a functioning “clinically integrated network,” and IS functioning in that capacity in the marketplace, successfully, today. The CIGNA CAC (Collaborative Accountable Care) program is the poster in this regard, and Jackson Clinic is CIGNA’s poster child. The State (e.g., Lori Lee) is familiar with this program ... I attach a brief powerpoint presentation with some data on Jackson Clinic’s CAC performance for the State Employee Health Plan over the past 18 months (data that was presented to Ms. Lee at a March 2013 meeting). For the 2012 year, The Jackson Clinic established new excellence benchmarks for all CIGNA CAC first-year participating clinics. Here are some snapshots from a CIGNA press release now being finalized: Jackson Clinic is 50% better than market for adolescent well-care; 19% better than market for diabetic eye exams; 25% better than market for diabetic kidney disease screening; 10.5% better on inpatient cost trend compared to market; 70% better referral rate to network specialists (assisted, no doubt, because the Clinic itself provides most of the network specialist referral destinations and the specialist care is thereby closely coordinated with the PCMH physician); half as many unnecessary ER visits compared to market (value added of JC Convenient Care, the original urgent care clinic we established in 1986). The results are in measurable data, and in real cost savings. *It can happen ...* and the CIGNA commercial plans and state employee health plan serviced by The Jackson Clinic are the beneficiaries. THIS IS the “Clinically Integrated Network” model that others are now seeking to build: Uniform electronic medical record; Evidence-based protocols; Care coordination – and we are building in improvements, such as our novel transition of care pilot and skilled nursing facility care coordination initiative.

Perhaps our presence on the Provider Stakeholder Group might add some value? Perhaps I could arrange a lunch meeting with you sometime, either in Nashville or Jackson? Of course, we would love to host you and/or members of your team in Jackson, so you can see what we are doing, and how we are doing it, and meet some of the key clinical personnel who are making this happen. If you are interested, my contact information is listed below. I look forward to hearing from you.

Very Truly Yours,

KPMc

Kevin P. McMahon, Esq.  
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The Jackson Clinic, P.A.  
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Jackson, TN 38301  
Tel: (731) 422-0242  
Fax: (731) 422-0499  
Email: [kmcmahon@jacksonclinic.com](mailto:kmcmahon@jacksonclinic.com)

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The Jackson Clinic, P. A. 616 W. Forest Ave. Jackson, TN 38301 [www.jacksonclinic.com](http://www.jacksonclinic.com)

# Midmonth Report for June 2013

\* This report is a count of people taken in the middle of the month for which the report was run.

\* This report is run three months after the month of the report in an effort to reduce fluctuations in the results.

MCO	REGION	Total
Awaiting MCO assignment		313
AMERIGROUP COMMUNITY CARE	Middle Tennessee	197,148
BLUECARE	East Tennessee	211,891
BLUECARE	West Tennessee	176,391
TENNCARE SELECT	All	45,436
UnitedHealthcare Community Plan	East Tennessee	194,219
	Middle Tennessee	196,299
	West Tennessee	173,210
Grand Total		1,194,908

COUNTY	Female			Male			Grand Total
	0-18	19-20	21-64	65->	0-18	19-20	
ANDERSON	3,753	285	3,237	604	7,879	3,930	13,860
BEDFORD	3,319	228	2,219	265	6,031	3,447	10,670
BENTON	915	87	800	148	1,951	1,018	3,513
BLEDSoE	714	58	622	128	1,522	829	2,804
BLOUNT	5,206	410	4,392	662	10,671	5,281	18,531
BRADLEY	4,909	409	4,344	636	10,298	5,269	18,016
CAMPBELL	2,697	244	3,057	663	6,659	2,782	11,693
CANNON	678	49	633	124	1,484	754	2,618
CARROLL	1,660	161	1,589	324	3,734	1,838	6,664
CARTER	2,927	225	2,575	701	6,429	3,090	11,285
CHEATHAM	1,768	136	1,368	183	3,455	1,820	6,113
CHESTER	927	85	800	150	1,982	959	3,390
CLAIBORNE	1,811	161	1,872	538	4,381	1,898	7,822
CLAY	495	36	403	103	1,037	492	1,901
COCKE	2,567	216	2,351	452	5,585	2,596	9,917
COFFE	3,119	216	2,696	387	6,419	3,198	11,037
CROCKETT	984	72	716	211	1,984	941	3,408
CUMBERLAND	2,808	214	2,282	505	5,808	2,979	10,349
DAVIDSON	36,155	2,382	27,120	3,180	68,837	37,195	119,406
DECATUR	575	62	526	185	1,358	656	2,430
DEKALB	1,185	69	1,002	191	2,446	1,243	4,385
DICKSON	2,509	154	2,132	308	5,103	2,663	8,855
DYER	2,537	240	2,235	430	5,442	2,588	9,296
FAYETTE	1,536	128	1,169	296	3,128	1,699	5,576
FENTRESS	1,257	122	1,239	379	2,997	1,362	5,438
FRANKLIN	1,711	158	1,483	266	3,619	1,773	6,304
GIBSON	2,908	248	2,652	624	6,431	3,059	11,141
GILES	1,427	124	1,240	248	3,039	1,426	5,253
GRAINGER	1,298	101	1,103	286	2,789	1,297	4,992
GREENE	3,192	234	3,063	727	7,217	3,313	12,708
GRUNDY	1,067	105	1,055	224	2,451	1,159	4,423
HAMBLÉN	4,003	245	2,746	534	7,527	4,048	13,173



COUNTY	Female					Male					Grand Total
	0-18	19-20	21-64	65->	Total	0-18	19-20	21-64	65->	Total	
HAMILTON	15,250	1,150	13,259	2,231	31,889	15,921	779	5,275	857	22,833	54,722
HANCOCK	477	49	520	164	1,210	543	43	501	79	966	2,177
HARDEMAN	1,614	135	1,488	338	3,575	1,592	91	741	160	2,584	6,159
HARDIN	1,397	135	1,481	387	3,600	1,616	110	808	195	2,729	6,329
HAWKINS	3,005	270	2,799	558	6,632	3,163	169	1,414	253	4,999	11,631
HAYWOOD	1,419	129	1,341	295	3,184	1,485	97	436	109	2,127	5,312
HENDERSON	1,627	131	1,462	274	3,494	1,678	84	639	95	2,496	5,990
HENRY	1,305	156	1,604	282	3,946	1,937	126	748	119	2,930	6,936
HICKMAN	1,378	134	1,221	186	2,919	1,485	108	655	82	2,329	5,248
HOUSTON	421	28	377	112	938	466	24	202	69	761	1,699
HUMPHREYS	939	90	802	163	1,994	1,011	40	381	68	1,511	3,504
JACKSON	625	44	601	148	1,418	653	29	346	93	1,120	2,538
JEFFERSON	2,751	198	2,139	500	5,588	2,888	123	1,101	200	4,311	9,899
JOHNSON	933	88	857	293	2,172	961	51	556	157	1,724	3,896
KNOX	17,314	1,245	15,445	2,371	36,375	18,064	845	6,604	982	26,495	62,870
LAKE	416	44	515	155	1,130	515	35	218	70	838	1,968
LAUDERDALE	1,899	149	1,741	310	4,099	1,939	117	701	121	2,877	6,976
LAWRENCE	2,262	189	1,910	420	4,781	2,500	144	899	170	3,713	8,494
LEWIS	886	62	571	122	1,452	736	53	261	55	1,106	2,558
LINCOLN	1,710	158	1,358	300	3,526	1,836	106	686	115	2,743	6,269
LOUDON	2,077	130	1,489	279	3,965	2,116	100	882	117	3,015	6,981
MACON	1,621	127	1,303	252	3,303	1,706	83	683	114	2,586	5,890
MADISON	5,890	487	5,374	830	12,580	5,885	325	1,854	329	8,393	20,973
MARION	1,635	158	1,573	250	3,616	1,659	102	664	135	2,560	6,176
MARSHALL	1,613	121	1,286	187	3,166	1,667	78	542	70	2,357	5,522
MAURY	4,118	286	3,390	570	8,364	4,459	214	1,322	186	6,180	14,544
MCMINN	2,789	226	2,443	522	5,979	2,908	142	1,122	220	4,392	10,371
MCNAIRY	1,673	158	1,624	389	3,844	1,733	120	888	193	2,944	6,788
MEigs	705	52	593	88	1,439	711	51	323	47	1,132	2,570
MONROE	2,519	213	2,217	506	5,455	2,795	132	1,167	262	4,355	9,810
MONTGOMERY	6,916	546	5,648	650	13,759	7,126	300	1,806	207	9,438	23,198
MOORE	216	23	149	44	433	268	10	88	18	385	818
MORGAN	1,158	82	909	187	2,337	1,194	62	521	110	1,886	4,223
OBION	1,739	135	1,601	294	3,770	1,864	79	615	111	2,669	6,439
OVERTON	1,131	84	956	271	2,441	1,219	72	540	145	1,976	4,417
PERRY	503	35	378	86	1,002	526	29	229	45	830	1,832
PICKETT	222	18	199	87	526	279	9	127	43	458	984
POLK	888	54	831	155	1,928	977	59	445	69	1,550	3,478
PUTNAM	3,721	359	3,181	763	8,024	3,804	212	1,686	316	6,118	14,142
RHEA	2,220	162	1,776	323	4,482	2,242	121	846	129	3,338	7,820
ROANE	2,344	205	2,337	530	5,416	2,633	129	1,279	224	4,265	9,681
ROBERTSON	3,390	190	2,279	364	6,223	3,575	140	893	157	4,765	10,988
RUTHERFORD	11,204	905	7,840	957	20,905	11,576	534	2,798	382	15,291	36,196
SCOTT	1,777	146	1,688	403	4,013	1,833	117	932	191	3,073	7,086
SEQUATCHIE	905	75	755	150	1,885	925	49	424	58	1,456	3,351
SEVIER	4,607	349	3,078	455	8,489	4,989	175	1,257	168	6,590	15,079
SHELBY	68,178	5,830	55,108	6,591	135,708	69,837	4,127	16,144	2,477	92,585	228,293
SMITH	1,020	70	888	175	2,133	1,015	52	410	63	1,540	3,673
STEWART	647	45	621	114	1,427	696	29	296	55	1,076	2,504



COUNTY	Female				Male				Female Total	Male				Male Total	Grand Total
	0 - 18	19 - 20	21 - 64	65 ->	0 - 18	19 - 20	21 - 64	65 ->		0 - 18	19 - 20	21 - 64	65 ->		
SULLIVAN	6,985	578	6,646	1,343	7,419	408	3,349	586	15,552	7,419	408	3,349	586	11,762	27,313
SUMNER	6,635	525	5,272	794	7,009	372	2,018	310	13,226	7,009	372	2,018	310	9,709	22,935
TIPTON	3,400	292	2,641	359	3,555	205	942	152	6,692	3,555	205	942	152	4,853	11,545
TROUSDALE	490	26	392	84	443	35	197	36	991	443	35	197	36	711	1,702
UNICOI	870	54	784	271	1,979	46	376	129	2,480	1,979	46	376	129	1,522	3,502
UNION	1,310	92	919	159	2,480	68	527	82	3,107	2,480	68	527	82	1,977	4,457
VAN BUREN	285	23	268	61	637	11	153	46	637	637	11	153	46	520	1,157
WARREN	2,533	180	2,099	431	5,244	137	1,036	185	5,244	5,244	137	1,036	185	3,988	9,232
WASHINGTON	4,875	414	4,777	970	11,037	271	2,229	396	11,037	5,100	271	2,229	396	7,996	19,033
WAYNE	734	55	628	173	1,590	793	40	329	1,590	793	40	329	71	1,233	2,823
WEAKLEY	1,661	214	1,475	321	3,671	114	715	108	3,671	1,717	114	715	108	2,655	6,326
WHITE	1,532	131	1,328	334	3,925	98	753	119	3,925	1,656	98	753	119	2,825	5,950
WILLIAMSON	2,550	161	1,689	343	4,742	111	686	118	4,742	2,686	111	686	118	3,601	8,343
WILSON	4,206	319	3,392	499	8,417	205	1,395	180	8,417	4,366	205	1,395	180	6,146	14,553
Grand Total	336,345	26,586	279,997	46,873	689,801	349,922	18,430	116,979	689,801	349,922	18,430	116,979	19,776	505,107	1,194,908



118  
**STATE OF TENNESSEE**  
**HEALTH SERVICES AND DEVELOPMENT AGENCY**  
161 Rosa L. Parks Blvd., 3<sup>rd</sup> Floor  
Nashville, TN 37243  
615/741-2364

2011-03-22

**NOTICE OF REPLACEMENT AND/OR UPGRADE OF MAJOR MEDICAL EQUIPMENT**

TCA §68-11-1607(a)(6), requires that notification be made to the Tennessee Health Services and Development Agency of the replacement and/or upgrade of any major medical equipment that would not require an additional Certificate of Need. Such notification shall be made prior to acquisition of such equipment. PLEASE NOTE that a separate form is to be used for each type of equipment for which notification is being provided.

Should you wish to provide information not specifically requested or further information with regard to information reported, please attach a separate page to provide such narrative.

- ☐ Cardiac Catheterization      ☐ Computerized Axial Tomography  
☐ Extracorporeal Lithotripsy      ☐ Linear Accelerator/Cyberknife/Gamma Knife  
☒ Magnetic Resonance Imaging      ☐ Positron Emission Tomography  
☐ Other (Describe):

- ☐ Replacement with Upgraded Equipment      ☒ Replaced Equipment with Same Type  
☐ Upgraded Software Only

**NAME AND ADDRESS OF PROVIDER**

The Jackson Clinic Professional Association			
(Name)			
616 West Forest Avenue		Madison	
(Street Address)		(County)	
(Mailing Address, if different from Street Address)			
Jackson	TN	38301	(731) 422-0330
(City)	(State)	(Zip)	(Telephone Number)

**CONTACT PERSON OR AUTHORIZED AGENT SUBMITTING FORM**

Kevin P. McMahon		General Counsel	
(Name)		(Title)	
The Jackson Clinic, P.A.		(731) 422-0242	
(Company)		(Telephone Number)	
616 West Forest Avenue		Jackson	TN 38301
(Mailing Address)		(City)	(State) (Zip)

**A. Original Equipment Information**

Brand Name: GE Medical Systems

Type of Equipment (ex.: 64 Slice CT) Gold Seal Signa 1.5T Horizon LX MRI System

Date Equipment Acquired: 09/01/2002 Other Information (ex.: Serial Number): n/a

Cost of Equipment: \$1,237,303 Expected Useful Life (years): 5-7 years

**B. Replacement/Upgraded Equipment Information**

Brand Name: GE Medical Systems

Type of Equipment (ex.: 64 Slice CT) Brivo MR355 Inspire 1.5T MRI System

Software Upgrade Enhancements: (If software only)

Date Equipment Acquired: est. 03/01/2014 Other Information (ex.: Serial Number): n/a

Owned or Leased: Owned Leased By Whom: n/a

Fixed or Mobile Unit: Fixed Number of Days Per Week If Mobile: n/a

Cost of Equipment: \$950,000 Expected Useful Life (yrs): 5-7 years

I hereby certify that this information is true to the best of my knowledge, information and belief, and that supplemental written notification will be filed with the Tennessee Health Services and Development Agency in the event of any change in the information given in this report.

Ken P. McMillan  
Signature

October 10, 2013  
Date

5056

**Homes For Rent -  
Madison and  
Surrounding Areas**

JACKSON, TN, 38305.  
8 FIELDBROOK COVE  
5 bdrm, 2.5 ba, 2 level  
brick, new paint & carpet,  
quiet area, fenced  
back yard, 3000 SF, 2 car  
gar, gas log FP, extra sun-  
room, office rm & stor-  
age, \$1355 mo, 1 mo.  
dep, lease, A credit  
check. Sd 731-441-2359

**Real Estate  
Commercial**

5145

**Office Space  
for Lease**

N. JACKSON  
Up to 1,250 sq. ft.  
office or medical  
Call Larry 731-668-0494

**Real Estate  
Residential**

5247

**Homes - Madison  
and Surrounding  
Areas**

BROWNSVILLE 1200 sq. ft.  
3 Bdrm, 2 BA, cypress  
wood, kitchen/dining  
area, fireplace, central  
hvac, fenced backyard,  
carport. \$99,500. Call 731-  
780-2874 or 731-254-0027

GIBSON, 3 Bedrooms,  
1 bath brick, dining room,  
older home, 1700 sq. ft. on  
2 to 4 acres. Wooded lot,  
2 car carport. Medina  
School District. \$60,000.  
Call 731-668-0872

JACKSON 125 hrs Dr.  
2 Bdrm, 1.5 BA, single  
family, 1747 sq. ft.  
Hardwood floors, lease  
or sale. \$1580 down.  
\$671 mo, 855-664-8357

PRICE REDUCED 76 acres  
for sale, 1605 Walton  
Road, Bolivar. \$1750/acre.  
Prime timber/great hunt-  
ing. Call 731-225-9038 or l  
mwages@hotmail.com  
731-225-9038

5248

**Homes -  
Other Areas**

COUNTRY HOME W/46 AC  
VALE McKenzie Road 3  
Bedroom House for sale  
in the country by private  
owner. House is setting on  
46 acres open land and  
timber 731-418-1513

5267

**Land/Farms -  
Madison and  
Surrounding Areas**

From 1 to 35 ac in Chester  
county. \$100 dn. \$100 mo.  
No restrictions and  
NO CREDIT CHECK.  
7 days a week.  
Call 731-989-4859  
or 901-826-8978

Greatest selection  
of new and used  
autos in  
The Jackson Sun.

**Recreational  
Commercial**

5585

**Campers/  
Motor Homes**

CAMPER 5th Wheel, 2012,  
37 ft., 2 slides, 2 rooms,  
W/D, electric awning, FP,  
fully self contained, lots  
of extras, \$29,000. Call  
870-292-8330/870-331-1718

Motor Home, 1990 model  
Pace Arrow, 37 ft, Good  
condition, 6200K, mi.  
\$6500, obo. 731-584-2785

PALAMINIO PUMA '88,  
25 ft 5th Wheel Travel  
Trailer, like new, fully  
equipped. \$8500 obo.  
Brownsville: 731-772-5234

4099

**Public Notices**

0101690742

**NOTICE OF SUBSTITUTE  
TRUSTEE'S SALE**

WHEREAS, default has occurred in the performance of the covenants, terms and conditions of a Deed of Trust dated September 30, 2008, executed by MAXINE SAVAGE WOLTER, conveying certain real property therein described to CHARLES R. PETTIGREW, ATTY, as Trustee, as same appears of record in the Register's Office of Madison County, Tennessee recorded October 6, 2008, in Deed Book T1843, Page 985-996; and WHEREAS, the beneficial interest of said Deed of Trust was last transferred and assigned to Quicken Loans Inc. who is now the owner of said debt; and WHEREAS, Notice of the Right to Foreclose, if required pursuant to T.C.A. § 35-5-117, was given in accordance with Tennessee law; and WHEREAS, the undersigned, Rubin Lublin TN, PLLC, having been appointed as Substitute Trustee by instrument to be filed for record in the Register's Office of Madison County, Tennessee. NOW, THEREFORE, notice is hereby given that the entire indebtedness has been declared due and payable, and that the undersigned, Rubin Lublin TN, PLLC, as Substitute Trustee or his duly appointed agent, by virtue of the power, duty and authority vested and imposed upon said Sub-

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tute Trustee will, on November 21, 2013 at 11:00 AM at the North Entrance of the Madison County Courthouse, located in Jackson, Tennessee, proceed to sell at public outcry to the highest and best bidder for cash or certified funds ONLY, the following described property situated in Madison County, Tennessee, to wit: BEING LOT #9 OF THE COLONIES AT RALEIGH PLACE, PHASE 1, MORE PARTICULARLY DESCRIBED IN PLAT BOOK 5, PAGES 156-156A, IN THE REGISTER'S OFFICE OF MADISON COUNTY, TENNESSEE REFERENCE TO WHICH PLAT IS HEREBY MADE FOR A MORE PARTICULAR DESCRIPTION OF SAID LOT SHOWING ITS LOCATION AND THE LENGTH AND DIRECTION OF ITS BOUNDARY LINES, BEING THE SAME PROPERTY CONVEYED TO MAXINE SAVAGE WOLTER BY DEED OF RECORD IN DEED BOOK 695 PAGE 1906, IN THE REGISTER'S OFFICE OF MADISON COUNTY, TENNESSEE. Parcel ID: 44L-F-9.00 PROPERTY ADDRESS: The street address of the property is believed to be 63 BROOKSTONE PL, JACKSON, TN 38305. In the event of any discrepancy between this street address and the legal description of the property, the legal description shall control. CURRENT OWNER(S): CARLA RENEE SAVAGE, JEFFIE WHITE, MAXINE SAVAGE WOLTER OTHER INTERESTED PARTIES: The sale of the above-described property shall be subject to all matters shown on any recorded plat; any unpaid taxes; any restrictive covenants, easements or set-back lines that may be applicable; any prior liens or encumbrances as well as any priority created by a fixture filing; and to any matter that an accurate survey of the premises might disclose. This property is being sold with the express reservation that it is subject to confirmation by the lender

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or Substitute Trustee. This sale may be rescinded at any time. The right is reserved to adjourn the day of the sale to another day, time, and place certain without further publication, upon announcement at the time and place for the sale set forth above. All right and equity of redemption, statutory or otherwise, homestead, and dower are expressly waived in said Deed of Trust, and the title is believed to be good, but the undersigned will sell and convey only as Substitute Trustee. The Property is sold as is, where is, without representations or warranties of any kind, including fitness for a particular use or purpose. THIS LAW FIRM IS ATTEMPTING TO COLLECT A DEBT. ANY INFORMATION OBTAINED WILL BE USED FOR THAT PURPOSE. Rubin Lublin TN, PLLC, Substitute Trustee 119 S. Main Street, Suite 500 Memphis, TN 38103 w.rublinlublin.com/property-listings.php Tel: (877) 813-0992 Fax: (404) 601-5846 Ad #61837: 2013-10-10 2013-10-17, 2013-10-24

0101690743

**ADVERTISEMENT FOR BIDS  
CALL FOR BIDS**

The City of Three Way will receive sealed bids for the following:

**2013 Fall Paving Program**

The City of Three Way invites sealed bids from qualified companies interested in providing paving services in support of the City's street maintenance efforts. The contractor selected will be responsible for preparing, grading, leveling, cleaning, filling and placing an asphalt concrete surface overlay on streets in the City of Three Way. An approximate square yards of pavement area is 3,277; approximate asphalt tonnage is 271. The bid should include associated vegetation matter removal, clearing, cleaning, grading, and any necessary saw cutting, sub grade preparation, base

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installation, etc. Bids will be received at the following address: City of Three Way - 174 Three Way Lane, Three Way, TN 38343 until 10:00 A.M. on Tuesday, October 22, 2013. All bidders must be licensed contractors to perform the type of construction being described and as required by Tennessee Code Annotated. Each bidder agrees by submission of his bid to commence work within twenty (20) days of the issuance by the City of a Written Notice to Proceed and to fully complete work within forty (40) calendar days from the date the Notice to Proceed. The successful bidder will be required to furnish a performance and Payroll Bond. Bid opening will occur immediately at 3:00 pm on submission date. Any received after the scheduled submission deadline will be returned unopened to bidder. Fax bids will not be accepted. Copies of the Call for packet are available by contacting the City at 784-7782. The City of Three Way reserves the right to reject any and/or all proposals and to award the contract in any manner deemed to be in the best interest of the City.

0101690973

**SUBSTITUTE TRUSTEE'S  
SALE**

Sale at public auction on November 7, 2013 10:00AM local time, north entrance of the Madison County Courthouse, E. Main Street, Jackson, TN 38301, conducted by Shapiro & Kirsch, LLP, Substitute Trustee, pursuant to Deed of Trust executed by Noble S. Cox, to Stanfill & Associates Real Estate ES, Trust February 18, 2011 at T1900, Page 1925, as recorded in the Madison County Register's Office. Party entitled to enforce

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that the sale is subject to confirmation by the lender or trustee. This sale may be rescinded at any time. Shapiro & Kirsch, LLP Substitute Trustee www.auction.com Law Office of Shapiro & Kirsch, LLP 555 Perkins Road Extended,

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Second Floor  
Memphis, TN 38117  
Phone (901) 767-5566  
Fax (901) 761-5690  
File No. 13-051269

If you're looking for something, you'll find it in The Jackson Sun Classified Marketplace.

0101690401

**NOTIFICATION OF INTENT  
TO APPLY FOR A CERTIFICATE OF NEED  
TO CHANGE THE LOCATION OF ITS EXISTING MRI  
SERVICE**

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that:

The Jackson Clinic, a professional private medical practice, owned and managed by The Jackson Clinic Professional Association, a corporation, intends to file an application for a Certificate of Need to relocate its existing MRI and CT services from the Clinic's campus at 616 West Forest Avenue, Jackson, TN 38301, into a newly constructed addition to the Clinic's North Campus medical office building at 2859 Highway 45 Bypass, Jackson, TN 38205 (a distance of 4.5 miles), and at the same time to replace/upgrade its one MRI unit with a new MRI unit. The capital cost of the project is estimated at \$2,000,000, including both construction of the building addition and the acquisition of the replacement MRI unit. The project does not contain any other type of major medical equipment and does not involve the initiation or discontinuance of any other health service.

The anticipated date of filing the application is on or before October 15, 2013. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 210, Nashville, TN 37215; (615) 665-2022.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to the following address effective October 11, 2013:

Tennessee Health Services and Development Agency  
Andrew Jackson Building, 9th Floor  
500 Deaderick Street  
Nashville, TN 37243

Pursuant to TCA Sec. 68-11-1607(c)(1): (A) any health care institution wishing to oppose a Certificate of Need application must file a written objection with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled, and (B) any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

OCT 15 '13 PM 3:26

AFFIDAVITSTATE OF TENNESSEECOUNTY OF DAVIDSON

JOHN WELLBORN, being first duly sworn, says that he/she is the lawful agent of the applicant named in this application, that this project will be completed in accordance with the application to the best of the agent's knowledge, that the agent has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete to the best of the agent's knowledge.

John Wellborn  
SIGNATURE/TITLE

Sworn to and subscribed before me this 15 day of October, 2013 a Notary  
(Month) (Year)

Public in and for the County/State of TENNESSEE, DAVIDSON CO.



David L. Rose  
NOTARY PUBLIC

My commission expires 1-11, 2017  
(Month/Day) (Year)

# **COPY- SUPPLEMENTAL-1**

The Jackson clinic MRI

**CN1310-038**

OCT 28 '13 10:20

October 28, 2013

Phillip M. Earhart, Health Planner III  
Tennessee Health Services and Development Agency  
161 Rosa L. Parks Boulevard  
Nashville, Tennessee 37203

RE: CON Application CN1310-038  
The Jackson Clinic MRI

Dear Mr. Earhart:

This letter responds to your recent request for additional information on this application. The items below are numbered to correspond to your questions. They are provided in triplicate, with affidavit.

**1. Section A, Applicant Profile, Item 2**

**The applicant's Letter of Intent list the address of the proposed project as 2859 Highway 45 Bypass, Jackson, TN and the application list the address as 2859 West Bypass, Jackson, TN. Please clarify.**

The Letter of Intent address is correct. Attached is revised page 1R of Part A correcting the address in the application.

**2. Section B Project Description, Item I.**

**What are the reasons behind vacating the Forest Avenue location?**

The Forest Avenue property is owned by Jackson-Madison County General Hospital District and is a part of the "Medical center" complex surrounding the hospital building. The 616 West Forest building has been progressively vacated over the course of the past 2 years as Clinic physicians relocated into a new, 5-story medical office building built directly across the street from the hospital and connected to the hospital by an over-road pedestrian bridge. With the relocation of the Jackson Clinic oncologists from 616 West Forest to the newly constructed Kirkland Cancer Center (scheduled to open around the first of the New Year) and the relocation of the imaging service to its new building, the vacating of the 616 West Forest building will be complete. Based on discussions with hospital personnel, the expectation is that the hospital will demolish the 616 West Forest building and use the property for future construction/expansion. One vacated outbuilding located on the 616 West Forest campus already has been demolished by the hospital.



Page Two  
October 28, 2013

**3. Section B, Project Description, Item II (a).**

**Please clarify if there is a waiting area in the newly constructed 3,000 SF MRI area.**

The existing portion of the building to which the new construction will be attached has a waiting room space of 650 square feet, with an additional 200 square feet of restroom space. There is comfortable capacity for 52 chairs. This waiting room space can easily accommodate the patient traffic anticipated for imaging services. There is not a separate waiting room in the new construction.

**4. Section B, Project Description, Item II C.---MRI**

**a. Please clarify if the MRI will be constructed on ground level. If so, are the plans to add additional floors at a later date.**

It will be constructed on a slab at ground floor level. There are no plans to add an additional floor at a later date.

**b. If the MRI will be constructed on the upper floor, please answer the following questions.....**

Not applicable. It is on ground level on a slab foundation.

**5. Section B, Project Description, Item II (e).**

**a. The narrative states the MRI vendor's quoted sale price is \$850,000 on page 11 of the application, although the actual vendor's quote is \$858,200 in the attachment. Please clarify.**

The sale price on page 11 was a typographical error. Attached is a revised page 11R correcting the price to \$858,200.

**b. How is the replacement MRI compare to the existing MRI (i.e., Tesla strength, open bore vs. closed bore, etc.)?**

The new MRI is basically the same with respect to specs as the current one, albeit a newer model. In that regard:

- The 1.5 tesla magnet is the same intensity as the current magnet.
- The unit is a short, closed bore unit, same as in the current unit.
- The diameter of the bore is 60cm., the same as in the current unit.
- The newer unit will have the same type of coil package for scanning as exists on the current unit.



Page Three  
October 28, 2013

**c. Will the renovated 50 SF entry-way for the building support the weight of the magnet in moving the magnet to its planned location? Also, does the vender's quote include shielding?**

The MRI will be moved into the space through an aperture in the new addition, not through the building entryway. There are two types of shielding that apply to this MRI unit. The magnet has its own self-shielding for the magnet field, which shielding is included in the price of the unit. In addition, radiofrequency shielding is required for the building space and the preferred material to use in this is copper. This shielding is constructed into the walls, ceiling, floors and doors, and the cost of this is included in the construction quotation. The project architect has reviewed and attested to the estimate.

**6. Section B, Project Description, Item III.B.1**

**a. The distance of 43.1 miles and drive time of 53 minutes from Selmer, TN to the proposed project is noted in the table on page 12. Please clarify the current distance and drive time to Selmer, TN at the current MRI location.**

Google Maps indicates that it is 38.2 miles and a 47-minute drive time from Selmer to the current MRI location on Forest Avenue.

**b. What is the distance of the current location and the proposed location to Jackson/Madison Hospital? How will the proposed project affect access to hospital services?**

Jackson-Madison Hospital is approximately four blocks and less than a half minute drive time from the current MRI location on Forest Avenue. The hospital is approximately 5.6 miles and 11 minutes drive time from the proposed MRI location.

The relocation of the Jackson Clinic MRI will have no affect on access to hospital services. The Clinic's practice-based MRI is not an emergency resource and it is not used by hospital patients. The Jackson-Madison Hospital has its own MRI units for hospital inpatients and outpatients.

**7. Section C. Need, Item (I).3.**

**a. There appears to be a typo in Table Five in the total of Year Two patients on page 19. Please clarify.**

Thank you for noting the typo. The Years One and Two totals should both be 1,860. Attached is a revised page 19R with that correction.

**b. The referenced map of the service area is noted. However, please submit a county level service area map with all statewide counties labeled.**

Please see the State map following the service area map in Attachment C, Need--3.

Page Four  
October 28, 2013

**8. Section C. Need, Item (I).4.A.**

**Please provide the remaining U.S. Census Quickfacts income data for table six as referenced in the application.**

As noted in the original submittal, the web-based QuickFacts poverty data for four of the service area counties became suddenly unavailable in October due to Federal budgets constraints. Access has been restored since the filing of this application. A fully completed Table Six, revised page 21R, is attached.

**9. Section C. Need, Item (I).6.**

**a. Please discuss the reasons for the MRI utilization decline from 2,295 procedures in 2010 to 2,067 procedures in 2013, and 2,067 procedures projected in 2015 and 2016.**

The Clinic does not know with certainty the reason for the decline. Nationally, healthcare media have reported that the severe economic recession caused a substantial decrease in utilization of many medical services; inasmuch as the economic recession hit rural West Tennessee particularly hard, it is reasonable to assume that it had some impact on utilization of MRI services. In a similar vein, national media reported that during the same time period, the increasing shift of cost-sharing responsibility to patients through increased deductibles and coinsurance payments also contributed to a general decline in utilization of medical services, especially elective and "rule-out" services.

**b. If there will be additional insurance coverage for some residents under the new Affordable Care Act, why doesn't the projected MRI utilization increase in Years 2015 and 2016?**

This is a time of great uncertainty in healthcare. While the Affordable Care Act's insurance exchanges may increase the number of persons who have insurance coverage, we already know that coverages made available through the Exchanges will include deductibles and coinsurance amounts equal to or even greater than those generally found in commercial plans during the past few years. Consequently, the applicant does not anticipate that the Act's impact will include a significant increase in utilization of imaging services. In addition, the applicant anticipates continuing efforts by payors to discourage utilization of diagnostic procedures such as MRI through various means (cost-sharing, pre-authorization programs, etc.).

The Jackson Clinic has experienced slight reductions in annual utilization of MRI recently, but has not identified factors in the West Tennessee market that would suggest that the applicant should project either increased or decreased MRI utilization during the next few years. Accordingly, the 2013 experience year-to-date was annualized and, applying a conservative projection, was assumed to be stable over the planning horizon for this project.

Page Five  
October 28, 2013

**c. When does the applicant expect to attain the MRI utilization standards in the State Health Plan?**

Given the discussion in the above paragraphs, the applicant has no reason to anticipate reaching the State Plan's "optimal" MRI use rate of 2,880 procedures per year during the next five years. This existing service (the need for which was determined a decade ago) is simply moving to a new address with the medical practice that currently provides it.

**d. The applicant projects 2,067 procedures in 2013, 2015 and 2016, respectively. Does the applicant expect to attain the same volume of procedures for all three (3) years?**

Please see the response to 9b. above. The applicant considers a level utilization forecast is most prudent to adopt, until there is improvement in general economic conditions in rural West Tennessee and more clarity about the impact of reformation of the healthcare delivery system in the aftermath of the Affordable Care Act.

**10. Section C, Economic Feasibility, item 1**

**There are two asterisks in the Project Cost Chart. What are the asterisks referencing?**

They were inadvertently left on the chart from a first draft that had referenced a footnote about the equipment cost calculation. Attached is a revised chart, page 27R.

**11. Section C, Economic Feasibility, Item 2**

**Please clarify the reason the actual capital expenditure of \$2,000,000 as mentioned in the letter from the Chief Financial Officer is higher than the actual project costs?**

The CFO was merely rounding up from the total CON cost of \$1,978,943.

However, attached is a replacement letter that references only the actual \$1,726,943 of capital cost-- excluding the fair market value of the leased space, which is not a capital cost under GAAP.

**12. Section C, Economic Feasibility, Item 4**

**a. Please clarify how the applicant expects to have the exact projections in Year 2015 and 2016 on the Projected Data Chart in MRI patients, MRI procedures, gross operating revenue, net operating revenue, total operating expenses, total capital expenditures and net operating income.**



**The Jackson Clinic**  
*Professional Association*

616 West Forest Avenue  
Jackson, TN 38301  
731-422-0330  
1-800-372-8221

700 West Forest Avenue  
Jackson, TN 38301  
731-422-0330  
1-800-372-8221

3568 Chere Carol  
Humboldt, TN 38343  
731-784-7602

20719 E. Main Street  
Huntingdon, TN 38344  
731-986-2056

1893 S. Highland Avenue  
Jackson, TN 38301  
731-423-5585

2859 & 2863 Hwy. 45 By Pass  
Jackson, TN 38305  
731-664-1375

87-B Murray Guard Drive  
Jackson, TN 38305  
731-664-8140

132 Hospital Drive  
McKenzie, TN 38201  
731-352-7435

4039 S. Highland, Suite 4  
Milan, TN 38358  
731-686-8995

October 23, 2013

Melanie Hill, Executive Director  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, 9<sup>th</sup> Floor  
500 Deaderick Street  
Nashville, Tennessee 37243

RE: Jackson Clinic Relocation of MRI and CT Services

Dear Mrs. Hill:

The Jackson Clinic is applying for a Certificate of Need to relocate its MRI and CT services from their current location on Forest Avenue to an addition to the Clinic's North Campus several miles away on Walker Road. We estimate that this will require an actual capital expenditure of \$1,726,943 (excluding the leased space).

As Chief Financial Officer of the Jackson Clinic Professional Association, I am writing to confirm that the Clinic has sufficient operating cash flow and cash reserves to provide all of the required funds in cash, and intends to do so after receipt of CON approval.

The application includes our financial statements documenting that sufficient cash reserves, operating income, and lines of credit exist to fund this project.

Sincerely,

Steve Batchelor  
The Jackson Clinic Professional Association  
CFO

Page Six  
October 28, 2013

Please see responses 9(b) and 9(d) above. There are factors in the market and in the industry nationally that could increase or decrease public utilization of MRI. Until public needs are clarified, the applicant feels that it is reasonable to project MRI activity conservatively at current levels of experience, and to project its reimbursement and other financial factors at current levels as well. It is worth noting that The Clinic has not increased its MRI charges for several years and has no plans to do so in the foreseeable future, given the uncertainties of the healthcare marketplace in this period of unprecedented change. That also supports the projections made in the application.

**b. The applicant refers to “see notes” in the historical data charts, but no notes can be found. Please clarify.**

See response to 12-c immediately below.

**c. Please complete the Historical Data Chart “other expenses” category and Projected Data Chart “other expenses” category that are attached to the end of this document.**

Attached please find:

- Revised page 32-R--Notes itemizing Other Expenses and Revenues on the Clinic Historical Data Chart;
- Revised page 33a-R--MRI Historic Data Chart (page number change only);
- Revised page 33b-R--Notes itemizing Other Expenses on the MRI Historic Data Chart;
- Revised page 34a-R--A revised MRI Projected Data Chart removing depreciation from expenses and adding an allocation of “Other Expenses” to the MRI;
- Revised page 34b-R--Notes itemizing Other Expenses on the MRI Projected Data Chart;
- Revised page 35R, changing the Table Nine Net Operating Income data to reflect the amended MRI Projected Data Chart.

Page Seven  
October 28, 2013

**13. Section C, Economic Feasibility, Item 6.B. (MRI)**

**Please provide a comparison of the applicant facility's proposed charges to the range of charges generated from the HSDA Equipment Registry found in the "Applicant's Toolbox" on the HSDA website ([www.tn.gov/hsda](http://www.tn.gov/hsda))**

On page 37 of the submitted application, the applicant provided area-specific charge comparisons to every other MRI provider in its service area. They were calculated using gross charge data from the HSDA Registry.

The Toolbox data is generalized Statewide data for 2012 MRI gross charge experience. The Statewide comparison shows that the Jackson Clinic MRI has a significantly lower charge than the average projects approved by the HSDA.

The Jackson Clinic 2012 Gross Charge/Procedure (HSDA Registry):

All Procedures	\$1,119
----------------	---------

Statewide Average Gross Charge/Procedure (HSDA Toolbox)

1 <sup>st</sup> Quartile	\$1,598
2 <sup>nd</sup> Quartile	\$2,129
3 <sup>rd</sup> Quartile	\$3,322

**14. Section C, Economic Feasibility, Item 10**

**a. The Jackson Clinic Professional Association reports (\$428,551) in income for the period ending December 31, 2012. Please indicate the YTD income/loss for 2013.**

YTD through the third quarter of 2013, the Jackson Clinic had a positive net income of \$3,280,280.

**b. Please verify if the financial documents provided are audited.**

The 2012 documents are audited.

**c. Please provide the independent auditor's report and accompanying notes to the provided financial statements.**

Attached at the end of this letter.

Page Eight  
October 28, 2013

**15. Section C, Orderly Development, Item 6**

**Please discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (i.e., internships, residences, etc.).**

The Jackson Clinic is not a faculty-practice connected to a medical school or other health care institution. Nevertheless, The Jackson Clinic provides opportunities for clinical rotations for physicians who are training in the University of Tennessee Family Practice Residency Program (located in Jackson); for pharmacy students at Union University; for nursing students at various West Tennessee colleges and universities; and for medical technicians at Jackson State Community College and other area institutions. In addition to ongoing relationships with West Tennessee colleges, The Clinic will arrange for clinical rotations for individuals from West Tennessee who may be attending an out-of-area college but who wish to schedule a rotation at a site close to home.

**16. Section C, Orderly Development, Item 7 c. and 7 d.**

**The applicant states the most recent licensure information is provided in Attachment C, Orderly Development—7 (C). The referenced attachment could not be located in the application. Please submit.**

The only license involved in the project is the one authorizing handling of radioactive materials, issued by the Department of Conservation and Environment. It was included just after the Accreditation documents in Attachment A4. Please excuse the incorrect reference.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please FAX or telephone me so that we can respond in time to be deemed complete.

Respectfully,



John Wellborn  
Consultant

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY:

THE JACKSON CLINIC -- MRI RELOCATION

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the lawful agent of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge.

John Wellborn  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 28 day of OCTOBER, 2013,  
witness my hand at office in the County of DAVIDSON, State of Tennessee.

[Signature]  
NOTARY PUBLIC

My commission expires 1-11, 17.

HF-0043

Revised 7/02





**COPY-Additional  
Info.**

**SUPPLEMENTAL-1**

**The Jackson Clinic MRI**

**CN1310-038**

October 30, 2013

Phillip M. Earhart, Health Planner III  
 Tennessee Health Services and Development Agency  
 161 Rosa L. Parks Boulevard  
 Nashville, Tennessee 37203

RE: CON Application CN1310-038  
 The Jackson Clinic MRI

Dear Mr. Earhart:

Two corrections should be made in our first supplemental responses to you dated October 28. They are contained in our responses to your questions 12(c) and 13. The corrected responses appear below in italics. We are submitting these in triplicate, with affidavit.

**12. Section C, Economic Feasibility, Item 4**

**c. Please complete the Historical Data Chart "other expenses" category and Projected Data Chart "other expenses" category that are attached to the end of this document.**

Attached please find:

- Revised page 32-R--Notes itemizing Other Expenses and Revenues on the Clinic Historical Data Chart;
- Revised page 33a-R--MRI Historic Data Chart (page number change only);
- Revised page 33b-R--Notes itemizing Other Expenses on the MRI Historic Data Chart;
- Revised page 34a-R--*A revised MRI Projected Data Chart with principal and interest expenses removed, and depreciation inserted. Other expenses are also incurred and itemized on the next page.*
- Revised page 34b-R--Notes itemizing Other Expenses on the MRI Projected Data Chart;
- Revised page 35R, changing the Table Nine Net Operating Income data to reflect the amended MRI Projected Data Chart.

Page Two  
October 30, 2013

**13. Section C, Economic Feasibility, Item 6.B. (MRI)**

**Please provide a comparison of the applicant facility's proposed charges to the range of charges generated from the HSDA Equipment Registry found in the "Applicant's Toolbox" on the HSDA website ([www.tn.gov/hsda](http://www.tn.gov/hsda))**

On page 37 of the submitted application, the applicant provided area-specific charge comparisons to every other MRI provider in its service area. They were calculated using gross charge data from the HSDA Registry.

The Toolbox data is generalized Statewide data for 2012 MRI gross charge experience. The Statewide comparison shows that the Jackson Clinic MRI has a significantly lower charge than the average projects approved by the HSDA. We also show the Jackson Clinic's Year One proposed charge, for comparison.

The Jackson Clinic 2012 Gross Charge/Procedure (HSDA Registry):

All Procedures	\$1,119
----------------	---------

The Jackson Clinic Proposed Gross Charge/Procedure in Year One:

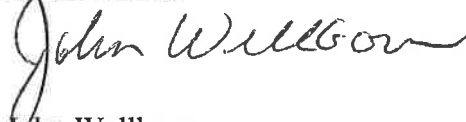
All Procedures	\$1,115
----------------	---------

Statewide Average of 2012 Gross Charge/Procedure (HSDA Toolbox)

1 <sup>st</sup> Quartile	\$1,598
2 <sup>nd</sup> Quartile	\$2,129
3 <sup>rd</sup> Quartile	\$3,322

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please FAX or telephone me so that we can respond in time to be deemed complete.

Respectfully,



John Wellborn  
Consultant

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY:

JACKSON CLINK MARI

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the lawful agent of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge.

John Wellborn  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 31 day of Oct, 2013,  
witness my hand at office in the County of Davidson, State of Tennessee.

Ch R R  
NOTARY PUBLIC

My commission expires 6-21, 2016.

HF-0043

Revised 7/02



OCT 10 '13 AM 10:28

## LETTER OF INTENT -- HEALTH SERVICES & DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Jackson Sun, which is a newspaper of general circulation in Madison County, Tennessee, on or before October 10, 2013, for one day.

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This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that:

The Jackson Clinic, a professional private medical practice, owned and managed by The Jackson Clinic Professional Association, a corporation, intends to file an application for a Certificate of Need to relocate its existing MRI and CT services from the Clinic's campus at 616 West Forest Avenue, Jackson, TN 38301, into a newly constructed addition to the Clinic's North Campus medical office building at 2859 Highway 45 Bypass, Jackson, TN 38205 (a distance of 4.5 miles), and at the same time to replace/upgrade its one MRI unit with a new MRI unit. The capital cost of the project is estimated at \$2,000,000, including both construction of the building addition and the acquisition of the replacement MRI unit. The project does not contain any other type of major medical equipment and does not involve the initiation or discontinuance of any other health service.

The anticipated date of filing the application is on or before October 15, 2013. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 210, Nashville, TN 37215; (615) 665-2022.

John Wellborn 10-7-13  
(Signature) (Date)

jwdsg@comcast.net  
(E-mail Address)

**CERTIFICATE OF NEED  
REVIEWED BY THE DEPARTMENT OF HEALTH  
DIVISION OF POLICY, PLANNING AND ASSESSMENT  
OFFICE OF HEALTH STATISTICS  
615-741-1954**

**DATE:** November 29, 2013

**APPLICANT:** The Jackson Clinic—MRI Service  
2859 Highway 45 Bypass  
Jackson, Tennessee 38205

**CON #:** CN1310-038

**Contact Person:** John Wellborn  
Development Support Group  
4219 Hillsboro Road, Suite 210  
Nashville, TN 37125  
615-665-2022

**COST:** \$1,978,943

---

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics, reviewed this certificate of need application for financial impact, TennCare participation, compliance with the *Tennessee State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

**SUMMARY:**

The applicant, The Jackson Clinic, a professional private medical practice, owned by The Jackson Clinic Professional Association, a corporation, is filing this Certificate of Need (CON) application to seek approval from the Health Services and Development Agency (HSDA) to relocate its existing MRI and CT services from The Jackson Clinic's campus located at 616 West Forrest Avenue in Jackson (Madison County), Tennessee 38301, to a newly constructed addition to the Clinic's North Campus medical office building at 2859 Highway 45 Bypass in Jackson, Tennessee 38205, a distance of 4.5 miles, and at the same time to replace/upgrade its one MRI unit with a new MRI unit. The capital cost of the project will be \$1,978,943 for the new addition to The Jackson Clinic at its North Campus building and the acquisition of the replacement MRI unit.

The applicant had requested that this CON application be heard on the Consent Calendar and this request was granted by the HSDA on November 1, 2013 following the review of this application by the staff of the Agency.

**GENERAL CRITERIA FOR CERTIFICATE OF NEED**

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee State Health Plan*.

**NEED:**

The review of this CON application by the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics confirms the proposed project does not involve the addition of any new services by The Jackson Clinic. The project involves only the relocation and replacement of the existing MRI unit in a new addition to the Clinic's North Campus.

The eight (8) county service area of the project includes Madison, Carroll, Chester, Crockett, Gibson, Hardeman, Henderson and McNairy counties. This project does not change the service area of The Jackson Clinic and does not add any additional MRI units to the service area. The project merely replaces an older 1.5 Tesla MRI unit with a new 1.5 Tesla MRI unit.

**Primary Service Area Total Population Projections for 2013 and 2017**

<b>County</b>	<b>2013 Population</b>	<b>2017 Population</b>	<b>% Increase/ (Decrease)</b>
Carroll	28,213	27,890	-1.1%
Chester	17,355	17,866	2.9%
Crockett	14,568	14,644	0.5%
Gibson	50,748	51,952	2.4%
Hardeman	26,492	26,106	-1.5%
Henderson	28,080	28,507	1.5%
McNairy	26,408	27,129	2.7%
Madison	99,153	100,685	1.5%
<b>Totals</b>	<b>291,017</b>	<b>294,779</b>	<b>1.3%</b>

Source: *Tennessee Population Projections 2000-2020, 2013 Revision*, Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics

The need for this project as revealed in Section B.II.D: Project Description can be found on page 10 of the CON application. The applicant states the MRI must be relocated to the new location because the Forrest Avenue location will be vacated and the current private practice clinic will have to relocate all of its services to other locations such as The Jackson Clinic North Campus in the near future and the current Forrest Avenue location may be demolished by its owner.

**TENNCARE/MEDICARE ACCESS:**

The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics noted that the applicant stated it is a Medicare and a TennCare provider, on page 3 of the CON application.

**ECONOMIC FACTORS/FINANCIAL FEASIBILITY:**

The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historic Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

**Project Costs Chart:** The Project Costs Chart is located on page 27R in Supplemental #1. The total estimated project cost is \$1,978,943 of which \$1,726,943 represents the actual capital cost

**Historical Data Chart:** The Historical Data Chart can be found on page 33a-R in Supplemental #1. The applicant's historical utilization data documents a fairly flat number of MRI procedures performed in the three (3) year period 2010-2012. The numbers of procedures performed in 2010 were 2,295, in 2011 were 2,461 and in 2012 were 2,271. Net operating incomes in each of the respective years were \$534,309, \$535,022 and \$503,503.

**Projected Data Chart:** The Projected Data Chart can be found on page 34a-R in Supplemental #1. The applicant projects it will perform 2,067 procedures in year one and 2,067 procedures in year two with a net operating income of \$363,992 and \$363,992 each year, respectively.

The applicant does explain on page six in the Supplemental response the reason for the identical projected utilization and financial data in the Projected Data Chart. The continued impact of the recession that continues to be felt in West Tennessee has been one factor, the increased co-pays and deductibles and the reluctance of many insurers to pay for MRIs without prior approval is certainly another series of factors that impact the imaging market. Given the uncertainty of the imaging market in the wake of the changes brought on by the implementation of the Affordable Care Act the applicant stated they decided a conservative approach to future market trends would be a prudent strategy at this time.

**CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:**

The facility is not licensed by the Tennessee Department of Health, Division of Health, Licensure and Regulation-Office of Health Care Facilities because it is a private physician clinic.

The relocation of the MRI unit to The Jackson Clinic North Campus and its replacement by a new MRI will address the need to continue to provide accessible MRI services to residents of its designated market in light of the eventual closure of the existing Forrest Avenue location.

***SPECIFIC CRITERIA FOR CERTIFICATE OF NEED***

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document the *Tennessee State Health Plan*.

The Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics will provide responses to Specific Criteria for Certificate of Need that address utilization, need, bed data and other information maintained by the Department of Health. The narrative responses of the applicant will not be repeated but can be found in the Certificate of Need Application and such Supplemental material as provided by the applicant to the Health Services and Development Agency.

**CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT  
OF  
HEALTH CARE INSTITUTIONS**

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

*The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics has reviewed the criteria for construction, renovation, expansion, and replacement of health care institutions and has determined that this CON application will not include the addition of beds, services, or medical equipment. Therefore, the Specific Criteria are not applicable.*

2. For relocation or replacement of an existing licensed health care institution:
  - a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.
  - b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

*The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics has determined that this CON application does not involve the relocation or replacement of a licensed health care facility. Therefore, the Specific Criteria do not apply to this project.*



3. For renovation or expansions of an existing licensed health care institution:

- a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

*The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics has determined, based upon the CON application, that this project does not involve any expansion of a licensed health care facility.*

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

*The Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics cannot provide independent verification of the existing physical plant's condition since surveys are not performed on private physician offices at this time.*